



## MEKONG ECONOMIC RESEARCH NETWORK

### INVESTMENT IN HUMAN CAPITAL AND LABOR PRODUCTIVITY IN VIETNAM: THE CASE STUDY ON SMALL AND MEDIUM ENTERPRISES\*

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## **Abstract**

This paper investigates the impact of training or investment in human capital (off-the-job training in short term) on productivity of the small and medium enterprises (SMEs) using Propensity Score Matching (PSM) technique and qualitative method. The results from PSM found that training has significantly positive impact on the productivity of household business, but there is no evidence on the impact of training on productivity of the firms in formal sector; and there is no evidence for the impact of training activities on productivity in the near future (one or two years) for both household business and formal enterprises. Meanwhile, the qualitative approach with in-depth interviews and observation techniques indicated were applied to investigate the reasons for the ineffectiveness of training activities (no significant improvement in productivity) in formal registered enterprises as explorations in the quantitative approach. Finally, the paper suggested some policy implications to enterprises, training centers as well as State organization for a better performance in training activities of SMEs.

**Keywords:** evaluation, matching, SMEs, Vietnam, productivity, human capital investment

**JEL Classification:** J21, O15

## 1. INTRODUCTION

In recent years, there is a substantial progress in many industries where knowledge and well-trained workers play a key role in production. The accumulation of human capital plays an important role in explaining economic performance and long-term growth (Lucas, 1988). Although in organizations there is an increasing concern that training investments are justified by improved organizational performance (Salas & Canon-Bower, 2001), it is difficult to find a strong evidence of this argument in the human resource literature. More and more studies have tried to estimate the effect of training on corporate productivity, they do not always agree about this effect. Some studies, such as Dearden et al. (2006), found considerable effects of training on productivity. However, Black and Lynch (2001) did not find any impact of training on productivity in their research.

Although investment in human capital plays a very important role in enhancing the corporate competitiveness in the context of international integration and aftermath of global economic crisis, local enterprises, especially SMEs, do not make an appropriate investment in human capital. According to Xuan Ngoc (2011), a survey of 437 managers and 335 enterprises showed that in 2010, the budget for training was equal to 7.13% of wage fund, which means the cost per worker was only VND389 000. This percentage in 2009 was 6.89%, implying that only VND313,000 was spent on training for each worker. Le Thi My Linh (2009) stated that the majority of company owners have not been aware of the importance of training human resources, 59% of the enterprises in HCMC do not have the written training policies. Therefore, quality of human resource is hardly satisfactory due to very low investment in human capital. GSO (2012) showed that in 2011, the proportion of unskilled workers was 84.4% in the Vietnam.

According to the Government's Decree 56/2009/NĐ-CP, the State offers support for training to SMEs in South Vietnam through Southern SME Technical Assistance Center. However, in 2011, the training in enterprises did not have any improvement; there were only 15 courses held by the center for 663 trainees. Xuan Ngoc (2012) stated that in fact, the companies often “hunt” skilled workers instead of training; and many enterprises are willing to spend on training activities but worried about the labors’ “jumping” to another

companies after training. Moreover, most of the enterprises have not evaluated the effectiveness of training activities and claimed that it was very difficult to conduct such activities.

This paper concentrates on investigating the importance of training in SMEs in Vietnam as a basis for improving productivity. In particular, this research aims to reach the following objectives:

- Measure the impact of human capital investment on labor productivity.
- Investigate the reasons to explain that impact

In order to achieve the objectives, the research will focus on answering the following questions:

- How is the impact of human capital investment on the productivity of SMEs?
- What are the causes of the ineffectiveness of off-the-Job training at formal enterprises?

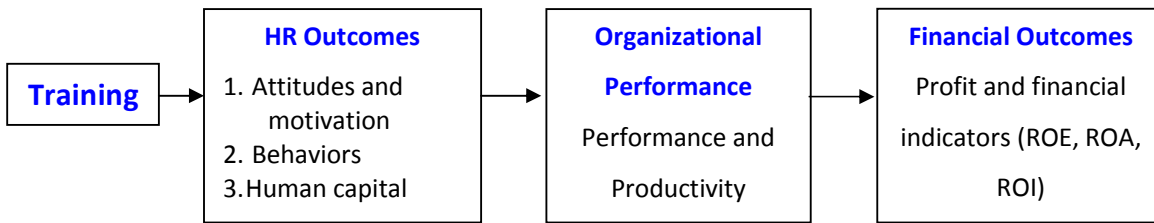
## **2. LITERATURE REVIEW**

### **2.1 Theoretical Background of The Impacts of Training on Productivity**

#### **2.1.1 Theoretical Models**

Several studies in strategic human resource management (SHRM) provided models or analytical frameworks to explain the impact of investment in human capital (training) on firm performance. [Wright and McMahan \(1992\)](#) developed an analytical framework linking human resource management practices to firm performance. On the basis of the research by [Wright and McMahan \(1992\)](#), [Tharenou et al. \(2007\)](#) proposed a framework for the causal relationship between training and firm outcomes. **(Figure 1)**

The theoretical framework shown in **Figure 1** implies an impact of training on firm performance and its productivity. Nevertheless, theories of SHRM suggested that, alternative types of models also need to be investigated. [Delery and Doty \(1996\)](#) provided three other perspectives on the relationship between human resources practices and firm performance, including contingency perspectives, universalistic perspectives, and configurational perspectives. These perspectives can explain the impact of training on firm outcomes in several approaches.



**Figure 1. Theoretical Model by Tharenou et al. (2007)**

Universalistic perspective is considered as the most fundamental perspective. This perspective suggested that there is a positive relationship between some HR practices such as formal training and organizations' outcome (Delery & Doty, 1996). Basing on this perspective, training is believed to have a significant positive impact on firm performance.

Contingency perspective is considered to be more complicated than universalistic perspective because it takes into account the interactions between HR practices and organizational factors or contextual factors (Delery & Doty, 1996). That is, training activities should be conducted together with organizational strategies in order to reap better outcome (Schuler, 1989).

Configurational perspective states that there are ideal types of HR practices that can result in better outcome (Ostroff & Bowen, 2000). Barney and Wright (1998), Baron and Kreps (1999), Lepak and Snell (1999) suggested that the effectiveness of training will be enhanced when training activities are conducted in combination with other complementary HR practices such as careful screening and selection of potential and trainable employees.

### **2.1.2 The Impacts of Training on Wages**

In order to have a contingency research of the impacts of training, it is necessary to investigate the impacts of training on wages. The training hardly becomes the unique cause of the improvement in productivity. Productivity could be enhanced by a variety of components such as the technology innovation, the business strategy or other advantageous externalities. Meanwhile, the wages premium accrued to the trained workers may be considered as a reward of their contribution to the productivity improvement. To assure that training has a contribution on the productivity enhancement; this research study investigates the impacts of training on wages.

Furthermore, the study on the impact of training on productivity and wages could determine the nature of either perfect or imperfect competitive labor markets. In the simplest neoclassical view of the labor market under perfect competitive market, wage will be equal to the value of marginal product. Therefore, the wage could be taken as a direct measure of productivity. In competitive labor market, the return accrued to workers in the form of wages and the productivity premium of a trained worker equal its wage premium. However, if the labor market is characterized by imperfect competition, the strict relationship between wages and productivity seems to be broken. In particular, the firms usually apply a compressed wage structure that wages increase less steeply in training than productivity in order to compensate for the training costs. With imperfect competition, the estimated impact of training on wages is likely to be only a lower bound on the impact of training on productivity as there are gains from training not passed on to workers (Acemoglu & Pischke, 1999).

## 2.2 Basic Framework

### 2.2.1 The Impacts of Training on Productivity

The econometric analysis in this paper follows the literature in assuming that technology at firm level can be characterized by a Cobb-Douglas production function (Dearden et al., 2006):

$$Y = A L^{\alpha} K^{\beta} \quad (1)$$

where  $Y$ ,  $L$ ,  $K$  are added value, labor and capital respectively;  $A$  represents technological progress, and  $\alpha$  and  $\beta$  denote the elasticity of added value with respect to capital and labor. Under the assumption that trained and untrained workers have different productivities, effective labor equation can be written as:

$$L = N^U + \gamma N^T \quad (2)$$

where:  $N^T$  and  $N^U$  respectively denote trained and untrained workers.  $L$  denotes effective labor.  $\gamma$  denotes relative productivity of the trained workers; when the trained are more productive than the untrained,  $\gamma$  will be greater than 1.

Substituting equation (2) into (1), then:

$$Y = A [N^U + \gamma N^T]^{\alpha} K^{\beta}$$



$$= A \left[ 1 + (\gamma - 1) \frac{N^T}{N} \right]^\alpha N^\alpha K^\beta \quad (3)$$

where:  $N$  denotes the number of workers.  $\frac{N^T}{N}$  denotes the ratio of trained workers. On the basis of constant returns to scale ( $\alpha + \beta = 1$ ) assumption, the production function in intensive form and labor productivity can be written as follows:

$$\frac{Y}{N} = A \left[ 1 + (\gamma - 1) \frac{N^T}{N} \right]^\alpha \left( \frac{K}{N} \right)^\beta \quad (4)$$

With logarithm transformation, the equation (4) can be expressed as follows:

$$\log \left( \frac{Y}{N} \right) = \log(A) + \alpha (\gamma - 1) \frac{N^T}{N} + \beta \log \left( \frac{K}{N} \right) \quad (5)$$

where: The dependent variable, labor productivity, is measured as the natural logarithm of real added value per employee from the balance sheets;  $\frac{N^T}{N}$  is the proportion of trained workers in an industry; and  $\log \left( \frac{K}{N} \right)$  is measured as the natural logarithm of the real value of tangible fixed assets from the balance sheets (plant and machinery, land and buildings, tools and equipment).

### **2.2.2 The Impacts of Training on Wages**

In order to measure wage differentials between trained and untrained employees, this study employs firm-level wage equations as in [Hellerstein et al. \(1999\)](#). In particular, the wage of individual  $j$  as:

$$W_j = W_U D_{j,U} + W_T D_{j,T} \quad (6)$$

Where  $W_j$  is the wage of individual  $j$ .  $W_U$  and  $W_T$  are the average wages of untrained and trained employee respectively and  $D_{j,U}$  and  $D_{j,T}$  represent a dummy equal to one if the employee  $j$  is untrained or trained respectively. By summing up all employees at a firm, the total wage bill of a firm equals by definition the sum of wages if trained and untrained employees multiplied by respectively the number of trained and untrained employees active in the firm. This expression could be rewritten as:

$$\bar{W}L = W_UL_U + W_TL_T = W_UL + \lambda_T W_UL_T = W_UL \left( 1 + \lambda_T \frac{L_T}{L} \right) \quad (7)$$

Where  $\lambda_T = \frac{W_T - W_U}{W_U}$  represents the relative wage premium for a trained employee compared to an untrained one. Dividing both sides by the number of employees and taking logs Equation (7) we obtain

$$\bar{W}L = w_U + \ln(1 + \lambda_T \frac{L_T}{L}) \approx w_U + \lambda_T \frac{L_T}{L} \quad (8)$$

Where the last step follows by the fact that  $\ln(1+x)$  could be approximately by  $x$  if  $x$  is small. From the above equation, it seems to have the impact of training, hereby represented by  $\frac{L_T}{L}$ , on the average wage of a firm. This framework places a basis on our study in estimating the impact of training on the firm's wage.

## 2.3 Empirical Studies

Impact of training on performance of enterprises (productivity, added value, returns...): The impact of human capital investment, especially training activities related to job, productivity, wage, or firm performance, has been studied in several countries. In a research for the case of big firms in France and Swiss from 1987 to 1993, [Ballot et al. \(2001\)](#) confirmed that training and R&D are considered as significant inputs that result in higher productivity. [Dearden et al. \(2005\)](#) used panel data at firm level in England, and then indicated that one percentage point increase in training results in an increase in value added per hour by 0.6% and hourly wages by 0.3%. [Konings and Vanormelingen \(2011\)](#) used the data from 1997-2006 of Belgium, and then concluded that an increase in training by 10 percentage points leads to an increase in productivity by 1.4%-1.8% and wage by only 1.0%-1.2%. In Vietnam, [Nguyen, Ngo and Buyens \(2008\)](#) surveyed 196 companies and indicated that firms which implement training activity in 2006 increased sales and productivity in both manufacturing and non-manufacturing sectors. [Storey \(2002\)](#) asserted that training has positive impact on firms' performance for the case of big firms in the US, but this impact is uncommon to SMEs in the UK.

[Dearden et al. \(2006\)](#) conducted a research about the impact of training on wages and productivity for the case of Britain. They found substantial effects of training as productivity

and wages go up by respectively 0.6% and 0.3% in response to a 1% point increase in training.

[Dumas and Hanchane \(2010\)](#) evaluated the impact of training programs by the Moroccan on the performance of Moroccan companies. The results found that these training programs enhance firms' competitiveness and performance. Their finding also emphasized that training activities will capture better outcomes when they are considered as part of HR development strategies

The above researches mainly used OLS method for cross-sectional data, or GMM method for panel data. This method could not measure the real impact of training on firm performance when the selection of firms with or without training activities is not a random experiment. Very few studies applied PSM method to investigate the impact of training activities on firm performance although this is the most common technique of evaluation impact of programs, projects, policies, and discussed in the training curriculum of World Bank by [Khandker et al. \(2010\)](#).

[Rosholm et al. \(2005\)](#), with reference of evaluation methods of training activities by [Heckman et al. \(1999\)](#), used propensity score matching method (PSM) technique to evaluate the impact of training activities on wages – the case of the firms in Africa – via constructing control group for comparison. With the combined data between firm level and personal level from [Kenya and Zambia \(1995\)](#), [Rosholm et al. \(2005\)](#) initially used Probit model to specify the determinants on the participation of employees in training activities. These included the factors related to the proprietary characteristics, job positions, membership of the union, and regional factors. In the second step, the employees were divided into treatment group and control group based on propensity score matching method, and the region of common support is specified. In the third step, evaluation impacts were developed via comparing the result of training activities and wages between the two groups. As the results, in Kenya, training activities made the wages increase by 2.3% and statistically significant at 10%; while in Zambia, the impact of training activities on wages was very small and statistically insignificant.

In order to evaluate the impact of human capital investment (training) on productivity, the firm performance, or wages; it is the most important to construct a model that reflects the determinants on human capital investment via using Logit, or Probit model. The following studies showed the determinants of the human capital investment by firms.

[Forrier and Sels \(2003\)](#) indicated that the investment in training was explained by number of employees, types of industry, characteristics of the internal labor market, number of contracts, number of fixed-term contracts, hours of agency work per employee, turbulence or change in the number of staff, inflow, and outflow.

In as research for the case manufacturing SMEs in [Australia and Jones \(2005\)](#) found that the factors that affect the probability of providing training are introduction of change in technology, documented formal business plans, introduction of business improvement programs (QA, JIT), change in business structure and employment size, and innovation.

[Hansson \(2007\)](#) found that that the most important factor in determining the provision of training is company management. [Hansson \(2007\)](#) also found other factors that affect the provision of training, including whether firms analyses the need of training (+), whether firms has a written training policy (+), whether the company focuses on internal promotion (-), firms' unionization level (-), firm's past profitability (+), employees' age(-), employees' educational level (+).

[Guidetti and Mazzanti \(2007\)](#) constructed the model of influential factors on training activities comprising the five main groups: firm characteristics, internal labor market factors, workforce characteristics, techno-organization innovation, and performance.

### **3. METHODOLOGY**

#### **3.1 Research Hypothesis**

This study will evaluate the impact of the human capital investment in productivity and indicators reflecting the firm performance via using PSM techniques in order to test the following hypothesis.

**Hypothesis:** *Human capital investment (training) results in increases in the productivity of SMEs.*

This hypothesis is worth being tested because many big companies have recently paid attention to training activities (Xuân Ngọc, 2012), and Trần Kim Dung (2011) stated that in HCMC the training activities in such enterprises are still very wasteful and inefficient. Nguyễn Tùng (2012) find that there is a positive relationship between training activities and growth rate of profit (correlation=0.54). In Vietnam, Nguyen, Ngo and Buyens (2008) surveyed 196 companies and indicated that firms which implement training activity in 2006 have increased sales and productivity in both manufacturing and non-manufacturing sectors. If the hypothesis is accepted via using a significant method, it will enable the enterprises to trust in the training activities as well as enable the government to promote the training support for SMEs.

### **3.2 Research Methodology**

This research applied both quantitative and qualitative methods to answer the research questions. In quantitative approach, we apply PSM using panel data of SMEs in Vietnam in 2009 and 2011 to measure the impact of investment in human capital on firm productivity. Following this approach, the qualitative approach with in-depth interviews and observation method by attending training courses and workshop for SMEs is employed to investigate the reasons of the impact results which are explored by the quantitative method.

#### **3.2.1 Quantitative Method**

This research mainly applies Propensity Score Matching (PSM) method rather than employing traditional methods, such as multiple regressions, to investigate the impact of investment in human capital on productivity because such methods could only be reasonable in the condition of randomized experiments. Meanwhile, PSM potentially provides more reliable results when designing a comparison group based on a model of probability of participation in training by using observed characteristics. The participants are then matched, on the basis of this probability or propensity score, with non-participants. The average treatment effect is then calculated using the mean in difference in outcomes between these two groups (Khandker et al., 2010).

The greatest difficulty of impact evaluation is to identify the outcome without the program; in particular, the difficulty in this research is to identify the potential outcome if the

enterprises do not invest in human capital. In reality, we hardly find an enterprise that both invest and does not invest in human capital at the same time. Several techniques for impact evaluation (such as PSM, DID, Match DID, etc.) help to construct counterfactual outcomes in order to compare with the enterprises which invest in human capital, and then the problem of causal effect of the programs/ associated policies on the outcome is settled (Khandker et al., 2010).

Based on the literature review and empirical studies, the model of determinants of human capital investment in SMEs may include explanatory variables as shown in Table 1. In particular, the variables of firm and workforce characteristics, contract and policy are similar to the ones of other studies such as Guidetti and Mazzanti (2007), Forrier and Sels (2003) and Hansson (2007). Referred to the studies of Kenya and Zambia (1995), Rosholm et al. (2005) and Hansson (2007), this study also constructs variables of unionization and network or regional factors in the model. Besides, the variables of labor market factors or technology innovation and business plans are similarly involved in this model as in the studies of Jones (2005), Guidetti and Mazzanti (2007). All the variables in Table 1 will be put into probit model to estimate the probability of investment in human capital.

Khandker et al. (2010) stated probit or logit model is only considered intermediary step in PSM, but not the main focus. After estimating the probit model, this study will evaluate the impact of the human capital investment on productivity and indicators reflecting the firm performance via using PSM techniques.

This research employs the secondary data of SMEs in Vietnam in 2009 and 2011 collected by CIEM, ILSSA and DoE (completed in 2010 and 2012) for 10 cities/provinces in Vietnam; therefore the balance panel data was constructed in order to estimate the model.

The data of SMEs are conducted by the Central Institute for Economic Management (CIEM) under Ministry of Planning and Investment (MPI), Institute of Labor Science and Social Affairs (ILSSA) under Ministry of Labor, Invalids and Social Affairs (MOLISA); Department of Economics (DoE), Copenhagen University; and Embassy of Denmark in Vietnam.

**Table 1. The Expected Variables in Logit/ Probit Model**

	Description	Variable List	Note
<b>I</b>	<b>Dependent variable</b>		
	Investment in human capital (training)		Dummies (1=Yes; 0=No)
<b>II</b>	<b>Independent variables</b>		
1	Total assets	<b>Lnassets</b>	Continuous
2	Age of firm	<b>Firmage</b>	Continuous
3	Industrial park/zone (IZ)	<i>Industrialpark</i>	Dummy
4	Form of ownership/legal status	<i>cooperative, ltd_jstock</i>	Dummies
5	Percentage of managers, professionals, office workers (%)	<b>Officeworkers</b>	Continuous
	Share casual labour force of total (%)	<b>Casuallabour</b>	Continuous
6	Turnover	<b>Turnover</b>	Continuous
7	Business plan	<i>businessplan, restructure</i>	Dummy
8	Constraints to growth		
	Does the firm face any major constraints to growth?	<i>Constraints</i>	Dummy
9	Negativelyaffectedbythe global economiccrisis	<i>Crisis</i>	Dummy
10	Member of one or more trade associations	<i>Association</i>	Dummy
11	Network	<i>Network</i>	Dummy
12	Union		
	Does the enterprise have a local/plant level trade union/employee representative organization?	<i>Union</i>	Dummy
13	The long-term attachment		
	Buying social, insurance, health insurance for employees	<i>Healthsocialins</i>	Dummies
14	Labor market		
	How does the enterprise hire workers?	<i>newspaperad; ocalauthorities; emcenter</i>	Dummies
	Is there any difficulties in recruiting workers with the required/appropriate skill level	<i>Diffrecruiting</i>	Dummy
15	Percentage of short-term contracts (%)	<b>Shorttermcon</b>	Continuous
16	Research and development (R&D)	<b>R&amp;D</b>	Continuous
17	Percentage of modern technology (%)	<b>Moderntechnology</b>	Continuous
18	Innovation		
	Number of personal computers	<b>computer</b>	Dummies
	Sell products via e-trading	<i>etrading</i>	(and/or)
	Purchase services from outside the enterprise	<i>servoutside</i>	Continuous
	Automatic job rotation system	<i>jobrotation</i>	
	Days of inventory	<b>inventory</b>	
	Environmental standards certificate	<i>envstandard</i>	
	Major improvements in existing products or changed specification;	<i>improveproducts</i>	
	Introduction of new production processes/technology		
19	The firm has been involved in training courses supported by the national or international organizations	<i>Foreigndonors</i>	Dummy
20	Government assistance	<i>Govassistance</i>	Dummy
21	Industry	<i>industry1, industry3, industry4, industry5, industry6, industry7, industry8</i>	Dummies
22	Formal/ household enterprises	<i>Hhformal</i>	Dummy

Notes: Italic variables are dummies;

### 3.2.2 Qualitative Method

After quantitative analysis on the impact of training on firms' productivity, we investigate the reason to explain that impact using qualitative method. Our main research question for qualitative research is: "Why is Off-the-Job training at formal business inefficient?"

In qualitative methods, we conducted in-depth interviews with: (1) about eight experts (the trainers with experiences in training and consultancy about human resources management, production management, quality management, sales skills...), (2) about ten members of the board of directors, HR directors, foremen at SMEs in industrial sector, (3) about four specialists in charge of training / consultancy from SMEs-supporting agencies such as Chamber of Commerce and Industry of Vietnam (VCCI) in HCM City, SME Supporting Center in the South ... In addition to in-depth interviews, we also applied observation method by attending training courses for SMEs, such as a course for SMEs of the timber industry (SCORE project) organized by VCCI HCM City (May, 2014), a course on occupational safety organized by HCMC Union school (May, 2014), a course organized by VCCI Can Tho on business forecasting techniques for the enterprises in Cantho Province (2011); a workshop on "Introduction about prominent innovative factories" organized by the SME Supporting Center in the South in May, 2014.



Figure 2.Seminar for sharing innovation Experience



## 4. QUANTITATIVE RESULTS

### 4.1 Descriptive Statistics in Labor Productivity

Table 2 showed the results of independent sample T-test on the difference in labor productivity (measured using VA per regular full-time labor force in 2008, 2009, 2010) between enterprises with and without training (Information on training was captured from SMEs2009 data). In 2008, labor productivity per annual of formal enterprises was 25.1 million VND per capita, that of formal enterprises with training was 33.1 million VND per capita and that of formal enterprises without training was 23.2 million VND per capita. In the formal enterprises, the difference in productivity between enterprises with and without training was not statistically significant.

**Table 2. Labor productivity (VA/Labor) of enterprises from 2008 to 2010**

	Formal Enterprises				Business households			
	Obs	2008	2009	2010	Obs	2008	2009	2010
Training	119	33.1	32.3	32.6	55	21.8	18.2	19.4
Not training	516	23.2	29.0	30.3	833	13.7	18.0	18.5
combined	635	25.1	29.6	30.7	888	14.2	18.1	18.6
Diff		9.8	3.3	2.4		8.1***	0.2	0.9
T		1.365	0.5072	0.3652		3.725	0.0873	0.4602
Df		122	613	615		60	70	72
Pr( T  >  t )		0.175	0.612	0.715		0.000	0.931	0.647

Note: \*significant at 10% level, \*\*significant at 5% level, \*\*\*significant at 1% level

Source: Calculated from CIEM data (2010, 2012)

For the case of formal enterprises, the difference in labor productivity between the enterprises with training and those without training is not statistically significant. However, for the case of household enterprises in 2008, there is remarkable difference in labor productivity between household enterprises with training and those without training (the difference is 8.1 million VND per capita). For the case of both formal/household enterprises with training and those without training in 2009 and 2010, the results showed that there is no significant difference in labor productivity.

However, the difference in productivity between enterprises with training and those without training does not result from the impact of training because these two groups of enterprises are not similar in terms of firm characteristics. Moreover, the distribution of the enterprises into groups (with and without training program) is not random (this is not the case of random experiment). Such methods as independent sample T-test or normal multiple regression will result in selection bias. One of the non-experimental methods for impact evaluation is PSM. The first stage of this method is to estimate Logit or Probit model in order to investigate the factors that affect the probability of conducting training program. The first stage is to specify the common support region and conduct balancing test. The third stage is to compare the outcomes between treatment group (group with training program) and control group (group without training program) on the basis of propensity score.

#### **4.2 Impact Evaluation of Training on Productivity**

The research analyzes the impact of training on labor productivity as well as some other criteria for the case of formal and household enterprises. From the results of probit models (Appendix A), we can calculate the probability of investment in human capital (propensity score) for each firms. These propensity scores will be applied to make comparison between treatment units and control units.

PSM method uses a variety of techniques to compare results of treatment and control group. Each technique has its own advantage and limitation. We calculate the impact by using different techniques to check the consistency. The research employed two techniques including Stratification and Kernel Matching method with Bootstrapped standard errors that are better the other one in PSM methods (Khandker, 2010).

**Box 1. Reasons to separate sample size into two groups, formal enterprises and household business.**

“When the impact of training activities is analyzed, it is better to separate the sample size into formal enterprises in order to observe the impact on each group because there is a big difference in legal characteristics, scales and management style among these two group.

*(Dr. Nguyen Ngoc Anh, Seminar at Center for Analysis and Forecasting– Vietnam Academy of Social Sciences in Hanoi, March 7, 2013)*

“Method of measuring training is also very important; off-job training activities in household business are much fewer than those in formal enterprises”.

*(Dr. Nguyen Dinh Chuc - CIEM, Seminar at Center for Analysis and Forecasting– Vietnam Academy of Social Sciences in Hanoi, March 7, 2013)*

Table 3 showed the results on impact of training (in 2008 and the first half of 2009) on labor productivity and results on performance, finance, and wage (in 2008, 2009, 2010) for the case of formal enterprises and household enterprises.

Both techniques showed that for the case of formal enterprises, there is no statistical evidence to state that training activities have positive impact on labor productivity in 2008, 2009 or 2010. It was found that there is no impact of training on firms’ performance (revenue, profit) and employees’ wage. However, training was found to improve the return on asset (ROA) in 2008 from 9.3 to 9.7 percentage point.

For the case of household enterprises, training was found to increase labor productivity, specifically value added per labor (VA/labour) in 2008 increase from 32 to 40 percentage points, the revenue per labor in 2008 rises from 35 to 49 percentage points. The results of impact of training on revenue and profit are different among technique. The result using stratification technique showed that training does not increase revenue and profit in 2008 while the results from Kernel Matching technique with Bootstrapped standard errors indicated that training leads to remarkable increase in revenue and profit (more than 50 percent).

For the case of household enterprise, the impact of training on wage is also unclear and inconsistent among techniques. Result from Kernel Matching method with Bootstrapped SE showed that training improves wage per labor by 19.5 percent, while the result from Stratification indicates that there is no impact of training on labor productivity.

**Table 3. Average Treatment Effect for the Treated (ATT) of the training using PSM**

	Formal enterprises			Household business		
	2008	2009	2010	2008	2009	2010
<b>Stratification method</b>						
<b>Labor Productivity</b>						
ln(VA/Labour)	0.04 [0.400]	0.003 [0.036]	-0.029 [-0.306]	0.325*** [2.830]	-0.136 [-1.499]	-0.136 [-1.406]
ln(Revenue/Labour)	0.033 [0.240]	0.066 [0.513]	0.069 [0.561]	0.348** [2.207]	-0.119 [-0.945]	-0.143 [-1.049]
<b>Performance outcomes</b>						
Ln(Revenue)	0.121 [1.449]	0.185 [1.113]	0.248 [1.483]	0.146 [0.667]	-0.401* [-1.788]	-0.385* [-1.658]
Ln(Profits)	0.207 [1.417]	0.107 [0.598]	0.121 [0.702]	0.237 [1.216]	-0.367* [-1.686]	-0.262 [-1.123]
<b>Financial outcome</b>						
ROA	9.561* [1.893]	9.562 [0.903]	5.329 [0.518]	-0.720 [-0.089]	7.673 [1.161]	6.297 [1.012]
<b>Wage</b>						
Ln(Wage/Labour)	0.034 [0.472]	-0.048 [-0.557]	-0.07 [-0.839]	0.174 [1.588]	-0.135 [-1.492]	-0.136 [-1.524]
<b>Kernel matching &amp; Bootstrapped SE</b>						
<b>Labor Productivity</b>						
ln(VA/Labour)	0.049 [0.596]	0.000 [0.001]	-0.027 [-0.257]	0.400*** [3.565]	-0.068 [-0.761]	-0.075 [-0.745]
ln(Revenue/Labour)	0.026 [0.183]	0.050 [0.319]	0.066 [0.513]	0.485*** [2.745]	0.012 [0.068]	-0.010 [-0.059]
<b>Performance outcomes</b>						
Ln(Revenue)	0.181 [1.057]	0.140 [0.705]	0.209 [1.346]	0.502** [1.715]	-0.028 [-0.081]	0.011 [0.028]
Ln(Profits)	0.202 [1.231]	0.073 [0.432]	0.086 [0.432]	0.552** [2.248]	-0.076 [-0.232]	0.004 [0.012]
<b>Financial outcome</b>						
ROA	9.325* [1.678]	6.73 [0.511]	1.212 [0.083]	-13.267 [-1.073]	2.463 [0.432]	2.052 [0.380]
<b>Wage</b>						
Ln(Wage/Labour)	0.050 [0.617]	-0.047 [-0.600]	-0.062 [-0.766]	0.195* [1.692]	-0.038 [-0.255]	0.006 [0.046]

Notes: \*significant at 10% level, \*\*significant at 5% level, \*\*\*significant at 1% level

+With stratification matching, n.treatment=112, n.control=387 formal enterprises; n.treatment=40, n.control=323 business households

+With Kernel matching & Bootstrapped SE, n.treatment=112, n.control=386 formal enterprises; n.treatment=48, n.control=276 business households ; t-statistics in [ ]

Source: Calculated from CIEM data (2010, 2012)

There is no evidence to conclude that training activity has positive impact labor productivity for the case of formal enterprises. The reasons may be due to fact that their organizing and evaluating training activities is not good, and their labor-force management skill is not professional; or because of the economic recession which hinder the firms' operation. Moreover, because of higher unemployment rate, it is not difficult for the firms to recruit good-quality employees in labor market, so the firms do not pay much attention to training. Therefore, their program may be not good, which results in the less effectiveness of training program.

Labor productivity level as well as the number of employees in formal enterprise is much higher than those in household enterprises. The impact of training activities on productivity for the case of formal enterprises is more difficult to work than that for the case of household enterprise

## Box 2. Specialists' comments on quantitative results

**1. Dr. Nguyen Huu Lam** (Specialist on Labor force Development, Director of Center for Excellence in Management Development – University of Economics, Hochiminh City, with lots of experience in training)

"In general, I think that the quantitative results (with regards to no statistical evidence of the positive impact of training on productivity) are quite similar to some studies in America. However, it is necessary to ensure the correct measurement of training activity. It would be better if the measurement of training activity relied on the amount of expense on training, the number of trained employees. And what is kind of training? Who will be trained? How is the training program? Who is the trainer? It is better to separate a specific training activity, for instance, occupational safety training.

"What is the impact of training activities? Currently, the definition and measurement of the result of the impact by the researchers are inconsistent. Sometimes in reality, firms' training activities are organized simply to reduce errors, mistakes or achieve certain certificates... but the improvement of productivity cannot be achieve in short run."

*(Interview on Jan 27<sup>th</sup>, 2014 in District 10, Hochiminh City)*

**2. Dr. Pham Thi Thu Tra** (Lecture, Researcher in Economics, RMIT University)

"If training activities are measured in more detail, the analysis of the impact will become more specific."

*(Comment at Seminar in Vientiane – Laos, October 25, 2013)*

**3. Dr. Rofikoh Rokhim** (Lecture, Researcher in Economics, Indonesia National University)

"The impact of training activity on workers may be different from that on managers. The analysis result will be better if we separate these two groups.

*(Comment at International Seminar held by University of Economics, Hochiminh City and Indonesia National University, on November 16, 2012 in Hochiminh City)*

**4. Dr. Nguyen Ngoc Anh** (Researcher in Economics)

"Regarding quantitative results, maybe when matching groups, lots of observation that do not fall into common support region will be excluded out of sample size; therefore, we can only observe the impact on a small sample size that may not represent the population".

"The impact evaluation of training program using only some financial criteria is not sufficient enough, and some data are not reliable. Therefore, it is better to find dummy variables to measure training activities (for instance, export or not export? Production innovation or not?...)

"The quantitative analysis results make the readers feel that the conclusion is contrary to their normal thought; so it is necessary to explain in more detail using qualitative ideas and specialists' advice, etc..."

*(Comment at Seminar in Vientiane – Laos, October 25, 2013)*

**5. Prof. Dr. Tran Thi Kim Dung** (Lecturer of HR Management. University of Economics, Hochiminh City)

"How to measure the result of training is difficult. The results of training for sales skill, customer care, workers' skill can be observed quickly... but it is difficult to observe the results of training management skill"

"It may be difficult for the firms to quantify the impact, however the firms can observe whether training activity meet the objectives or not, for instance, reduction in time wasting, improvement the employees' behavior, that is, not going to work late and coming back home early.

*(Interviewed on April 2014)*

## 4. QUALITATIVE RESULTS

### 4.1 Description on Training Activities of SMEs and The Support from Government and other Organizations.

We will make some description on some training activities in the firms which we had interviews with. There are training courses that receive technical support from the foreign funds, some course with training assistance from government and some training courses paid by the enterprises.

The first course we made observations is a course on HR management at SCORE project<sup>1</sup>. We ask Mr. Hoang, the project coordinator, for his permission to attend the course as a learner for observation, discussion and exchange with the participating companies and as a training assistant for SCORE project for better observation and understanding about the organization method as well as for participation in consulting firms and open discussion with the trainers.

Topics on HR management are attended by 4 companies, including Lam Viet, Minh Duong, Hiep Long and Mifaco. These companies operate timber processing industry, provide wooden products for the domestic market and exporting (in terms of capital, or number of employees, the company is categorized as SMEs). The employees attending the course include members of the board of directors, HR manager and executives, production manager and production staff.

At the beginning of training course, I made a discussion with Mr. Sang, the main trainers, on my main purpose is to investigate the firms' training activities, as well as the reasons for the effectiveness or ineffectiveness of the training activities via answers and sharing of these companies with the trainers and the other participants. In addition, I approached and had

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<sup>1</sup> SCORE Project (Sustaining Competitive and Responsible Enterprises) financed and technically supported by International Labor Organization (ILO) and implemented through the Vietnam Chamber of Commerce and Industry in Hochiminh City. This project supports firms to improve cooperation between management team and employees towards four main objectives: Boosting quality and Productivity, improving working condition, minimizing the negative impact on the environment, enhancing firms' competitiveness in the domestic and global market and international. The participating enterprises are trained and consulted on five topics: Workplace Cooperation, quality management, productivity and cleaner production, human resource management, occupational safety. (Source: VCCI Hochiminh City)



in-depth interviews with Hiep Long Co. (HR manager and production line manager) and Mifaco Co. (HR manager and HR executives).



Figure 3. Lecturers and Students at HRM Module of SCORE Project

In general, Off-the-job (Off-JT) training activities of SMEs can take place outside, or inside enterprises through training centers or agencies, by experts inside and outside the enterprise. In addition to off-the-job training, the SMEs also implement on-the-job training.



On-the-job training (On-JT) is considered as more popular method for firms of industrial sector. On-JT is more popular and suitable in training in management skills, and occupational safety ... Off-JT is appropriate for such training activities as professional skills for workers, or sales skills for salespeople.

Besides the training course at VCCI, in the previous year, Hiep Long Co. sent 8 staff to attend the two-day course at Investment & Trade Promotion Center – Binh Duong Department of Industry and Trade. Training for workers in Long Hiep is mainly in the form of coaching, group guidance at production line. Normally, a production line has one manager and 4 group leader. Trung is manager of a production line (three lines). The new employees are often coached by group leader at each line. New employees will observe and then operate the line under the instructions of the group leader and the supervision of production line manager".

*(Interview with Mr. Diep, HR manager at Hiep Long Co., on May 3, 2014)*

"My company has about 300 workers, but this number can be reduced by 50% at the end of the year due to turnover, overtime situation... This year (2014), the company' business is better with more orders, so we pay more attention to HR management (This course, Hiep Long sent Mr. Hiep - HR department, Mr. Huynh - production department, and I to attend). Training for workers in the company is normally direct coaching. In first week, the new staff will learn how to operate and accustom themselves to the production line, and after about 2 weeks, then they operate the line by themselves. After training, if the new staffs do not perform their job effectively, they will be assigned another job. Sometimes, I chose to train the cleverer employees, and then they will train the others.

*(Interview with Mr. Trung, Production line manager – Hiep Long Company, on May 5, 2014)*

Therefore, for the case of timber processing companies, Off-JT training activities are mainly for the management team. On-JT training is mainly implemented under coaching, supervision, group training for workers.

The enterprises can attend free courses and receive lots of benefits (for example, being consulted when attending at SCORE project courses) due to the sponsor from international organization and other programs using ODA. They also participate in courses organized by Department of Planning and Investment in Provinces/Cities, SMEs Supporting Center, VCCI, Centers of Investment and Trading Promotion, and other private or public training centers.

SMEs Supporting Center (Ministry of Planning and Investment) organized training courses for SMEs in accordance with Circular 05, in the North – Central – South under two types: Direct organization; or association between the training centers with the Departments of Planning and Investment for organization... Training courses include two topics: Business Start-up and Corporate Administration. The business start-up courses normally last 5 days while the Corporate Administration takes place in 7 days. In 2013, the center in the South organized 110 courses; around 30 percent among them are business start-up.

*(Interview with Mr. Lam – SME Supporting Center in the South – Ministry of Planning and Investment, in April 2014)*

Off-JT courses outside the firms normally take place in several days, about 2-3 days, some in only 1 day, and some in 7 days. On average, each company has 2-3 employees attending the course.

Business start-up course organized by VCCI Hochiminh City took place in one day. Around 50 students attended this courses (my group research had three members attending this course). This course, trained by profession experts, focused on Business Planning, Business Registration, tax, capital borrowing. In this course, each student was given with the updated directory book of the Vietnam enterprises. We are also provided with the information about the up-coming training courses.

*(Observation in 2013)*

In the three-day course on business forecasting at Can Tho VCCI, there were around 20 students. The participants mainly come from the companies in the sector of seafood processing; some from government agencies, hospital, etc...

*(Observation in 2013)*

The course on “sanitation and occupational safety” organized by the Union school in Hochiminh City took place for 2 Saturdays on February 22, 2014 and March 01, 2014. Each day take place two topics: The first day concentrated in Occupational Safety (Trained by Mr. Huynh Tan Dung, Hochiminh City Department of Labor, War invalids and Social Affairs), Fire Prevention (Trained by Chief of Binh Thanh Fire Protection Policemen); the second day focused on Union and labor safety, working environment and diseases at work.

*(Observation in February and March 2014)*

Besides external Off-Job training, firms also organize on-job training activities. However, off-job training tends to decrease, and on-job training has tendency to increase more and more. Hereinafter, we will make the description on training activities of two firms, a medium-scale company (more than 300 employees and medium scale of capital) operating in steel industry and a small-scale company operating in the sector of producing and distributing cushion (more than 10 employees).

“My company operates in steel industry, including processing which demands for technical skill training, and trading which demands for sales skill training, and there is also training activity for managers.”

**On-job training for workers or sales team.** Managers in charge will be responsible for training new employee during the working process. This training type is more effective than off-job training because the managers know the job in detail. In order to become managers, they must have good basic knowledge and lots of experiences related to the job. When training new employees, the managers know all the theory and practice; they also have specialist knowledge, sales skill and they know what their specific demand is and which result they demand from the workers. They can directly evaluate employees. Sales skill training is also trained on job, for instance, how the salespersons meet the clients and how he sells

company's products. Production training is also the same, that is, on-job training. Foreman and production manager will train the employees for essential skills, for instance, how to operate machines at different production lines; and the effectiveness of the result can be observed immediately. It also depends on each employee that firm will have different way of coaching."

**"Off-job training.** My company hires external training companies, consultancy agencies, specialists to train our employees for such skills as communication skill, sales skill, or normal skill. These companies also trained the worker for production skills. In my company, external training can cover a wide range of training, but the training programs are general, impractical, and not close to the actual situation of the hiring firms.

- "In my company, some training courses hire trainers from external sources, and some courses are trained by staff in the company. In my company, we mainly focus on production training (because there are varieties of products), product specification introduction and customers. Trained in such courses, the workers feel the practical usefulness of training activities."
- "Therefore, there are two types of training activities in my company" On-job and off-job training for specialist skills and management skills. Off-job training courses are conducted via hiring external training company, but in my opinion, this training type becomes less and less effective than on-job training. Management skill training (for promotion) mainly focus on supplementing and systematizing the managers' practical knowledge and experience in more logical way, for instance, CEO training course. For this training type, we normally send our staff to external centers for training.

*(Interview with Ms. Dinh Thi Nga, HR Director, A Steel Manufacturing and Distribution Company, Head office in Binh Thanh District, Hochiminh City, the company's anonymity is preserved, April 2014)*

### **Box 3. Skill training for workers and specialty improvement for managers**

- "Training activities for production workers are mainly occupational safety training, skill training and organization of skill competition, called "job competition", which is monthly evaluated. Depending on the results, the worker may be promoted to team leader, deputy team leader. How well the workers run the machine? What is the quality of the products? In addition to training for machine operation, the workers are also trained for 5S, ISO, etc..."
- "Off-Job trainings for old workers are held every 6 months, and divided into many sessions. The trainer is the foreman.
- "All the new workers are trained, normally in the first month at work, also known as trial period. The team leader will be responsible for training the new workers. The workers will learn to operate the machine in a 5-staff production line; the team leader will instruct them how to operate, deal with the problems, and calculate how to achieve the best results. The firm has many production lines and machines."
- "The foremen were already trained for management skills in external programs domestically and abroad. . Recently, our company sent some foremen to the partners of the same industry in Thailand, Japan in order to be trained for environment protection, staff administration, production management, etc..."

*(Interview with Ms. Dinh Thi Nga, HR Director of an SME specializing in steel production and distribution, in Binh Thanh – HCMC, the company's anonymity is preserved, in April, 2014)*

At large or medium size enterprises, there are both Off-JT and On-JT, but On-JT is still main training activity. Off-JT is only a new wind infused into the companies in order to provide the employees with an overview about knowledge and skills related to their job. Moreover this also helps to encourage the employees as well as attach them closely to the company. For the case of the small enterprises, they also pay attention to training activities and, mainly focus on On-JT. Training activities at small firms are originated from the owners' devotion and employees are directed trained by the owners. When the owners have lots of experience, they will be self-confident and have responsibility in training their employees. The firm owners have obvious policies for encouragement, reward and punishment, which results in the effective outcome. This statement is confirmed via an interview with Mr. Nguyen Tien Trung – Director of Basu Co. (operating in cushion business) on March 19 2014. Via this case study, we can observe how Mr. Trung trained his own employees.

“When the employees attended a 3-month, 5-month, or less-than-one-week off-the-job training courses, provided that the trainer gives good lectures and share lots of experience, they will only state that the trainer gives good lectures and 90 percent of them will forget all the lessons soon. They do not have deep understanding of what the trainers said, and the most important thing is that they do not know how to apply these lessons into practice. Maybe the experienced employees would learn better and have more understanding about the lectures; but the new one would have difficulties in learning as well as understanding the lectures. However, such off-the-job training courses will provide employees with overview of their job and related skills.”

“Off-JT may be organized via either inviting an expert to the firms, or sending the employees to be trained at a school/center, but this is not too important. Whether these trainings are effective or not depends on each situation. However, if you want to become a salesperson, they must have practical experience in market. When they first entered their career, they did not know where to star, how to approach the customers and may not know their products well. In different case studies, each employees has different reaction, but the experienced know what these reactions result in because they experienced this situation many times (However they are right or wrong, we also give comments and instructions). When they first start the job, they and I go to meet the customers together, then they can observe and support me and I will explain to them why a certain work needs to be done and what the purpose is. They will be given opportunity to contact the customers, then I give comment, train them, test them and put forward the objectives, encourage them... coach them... test tem... and they gradually become better. They need to be trained from 7 basic steps in sales, route controlling, observing products at the outlets... to setting objectives. When becoming supervisors or managers, they still need to be trained with the other topics, for instance, advanced sales. When doing business, the most important thing is to set up a good relationship and reliability to the customers”.

“During training process, I share lots of experience, set objectives to them; if they cannot do the jobs, I will have no choice but dismiss them and find substitute employees. Facing that

problem, the employees must learn how to work, practise and apply creatively in order to capture the highest results. When studying at off-job training class, they will not such pressure. Moreover, it is a far distance from training to improvement of productivity.”

*(Interview with Nguyen Tien Trung, about 31 years old, Director of Basu Company, March, 2014)*

Another less popular type of training is to hire an intermediary HR service company. With this training type, employees are trained by both companies, including HR Service Company and the hiring company.

“In addition to normal training activities, some companies in Industrial Zone (IDZ), Exporting Processing Zone (EPZ) hire labor supply service from an HR service company. The HR service company is in charge of recruiting and training the new employees with basic skills (mainly occupational safety training), and then provide them to the hiring companies in the IDZ, EPZ. The HR service company will be responsible for salary and other welfare policies. The companies in the IDZ, EPZ will train the new staff for operating the machine of each specific production line. Using this training type, it’s easy for the companies at IDZ, EPZ to recruit new employees at peak time, or cut down workforce at off-peak hour. This type of labor supply service is similar to that of bodyguard supply companies. I also participate in administration activity at a HR service company.”

*(Interview with Ms. Tran Thien Truc Phuong – Lecturer of Human Resource Management, Project Appraisal... at University of Economics and Law, Vietnam National University, Hochiminh City).*

#### 4.2 The Effectiveness of Formal Training Activities – Qualitative Approach

In the enterprises (formal registered by enterprises law) which we have interviewed, off-job training seems to be more effective and productivity enhancing if these activities are supported by prestigious international associations due to the gain of coordination between the on-the-job training and the off-job training and advisory task. For instance, we state the two following cases:

**The case 1.** The enterprise has not gained the positive support from the State or international associations yet.

In an interview with Ms. Nga (the Head of Human Resource) in Steel Company at medium size, the effectiveness of formal training activities is determined by the capability of trainees and the training centre. These activities improve working attitudes, skills of employees more or less; however, the effectiveness is generally inadequate with costs of these activities.

**Question:** During the last two years, have the off-job training courses brought the effectiveness to your enterprise?

**Response:** Yes, certainly; but the effectiveness depends on each employee. Someone has significantly positive change; for instance, in working style, manners, management and awareness. Someone has insignificant or slow change; in this case, I will encourage him and

investigate whether his capability is not qualified or he does not try his best in working. Possibly, he could only complete 8 steps (over 10 steps), and someone could complete all 10 steps. Albeit being Head of Department, only some of them who have significant effort and better capability will gain positive change (I will have appointment of these people to a higher position). In sum, these courses made trainees change more or less. They mostly have more significant change in their thinking than in reality, and by the way this is also an intensive effort.

**Question:** What are ineffective and effective courses in your opinion? For instance, how is the course for CEO which you have stipulated?

**Response:** Course for CEO, previously organized by Institute x of the University X of Hochiminh City, is generally appraised to be ineffective by employees. There are many reasons; for instance, one first reason is that the course is so lengthy that the training activities could not be concentrated. In particular, the length of course is fixed in four months; if extension, the length of six months (actually too lengthy) could be acceptable. However, this duration of course is so long that someone could not obtain the certificate after one year following the course, the enterprise could not monitor as well as the trainees is unable to control the time. The second reason is that the course contains too many theoretical lessons while the trainees are more interested in learning experiences on management, logic, realistic lessons. Then the enterprise assigns employees to take a course by private institution X in Ly Chinh Thang Street. This course has some modules to which the trainees is more satisfactory. Albeit the course is not perfect as employees' expectation, this course provides some more realistic subjects as well as better teachers. For instance, with regarding to the draft of contract or terms in contract, enterprise laws or financial statement..., sales employees enjoy determining whether such terms are good or not; these employees feel that they could learn and apply immediately these points to their jobs. In generally, this course is relatively satisfactory to employees' expectation.

*(Note: The name of training center is kept to be confidential)*

**Case 2.** Three prominent enterprises in innovation, productivity improvement are supported by SMEs Japanese government – assistance scheme.

On 23 May 2014, the SME Supporting Center in the South scheme organized the workshop *"Introduction on innovative prominent factories"* at Center of Vietnam News Agency, 116-118 Nguyen Thi Minh Khai Street, Ho Chi Minh City. I was informed about this workshop by Mr. Lam before three weeks. I acknowledge that the primary goal of the workshop is to introduce innovative prominent factories – the case of enterprises which are sponsored by JICA in assistance scheme on enterprises in supporting industries in Vietnam. This is also an occasion to work out this scheme after 4 year from the beginning. I understand that this workshop is very meaningful to my research; I registered to attend in the workshop to collect information as well as make the interviews with prominent enterprise in the break time or in dinners after the workshop as well as establish the relationship to have further interview with enterprises and experts of the SME Supporting Center in the South.

The prominent enterprises provided the evidence on the effectiveness from attending in training course in Japan (from 2 weeks to 6 months) as well as gaining the advices from Japanese senior expertise volunteers. After the course, during and after advisory process, they designed the implemental plan and did the exercises which are required by the experts. The experts enthusiastically came to the enterprises at most twice a week to make observations, have interviews and give their advices on any issues raised by the enterprises without any concealment. The enterprises have successfully applied the instruments in quality control, 5S, Kaizen, QCC... into reality. They pointed that there are real improvements which are demonstrated by data and figure before and after innovation. Production location is tiny, ordered and more convenient to production process. Spirits of workers and staffs in the enterprises are better; the direct workers are more creative and have more ideas to be applied. The enterprises have large contract (above 4 billion), make reduction in number of fault products, have a rise in revenue, reduction in costs; therefore, their profit increase and productivity is improved.

*(Observation, Interview with 3 prominent enterprises: An Lac Label Printing Joint stock company, Sakura Plastic Company and Visual Joint stock Company)*



Figure 4. In addition to Off-the-job training, the Japanese Specialists pay attention to On-the job-training via their visiting to the firms for instructions and consultancy.

Source: SME Supporting Center in the South

On the occasion coming back to hometown, we conducted a qualitative interview two households in QuangNgai (in the field of confectionery processing and screen printing).

Besides, we collected information from two households in Hochiminh City (in the field of industrial sewing). In these households, workers were all trained On-JT, rarely Off-JT as their management skills and work skills were quite simple.

“Here, confections are mainly made in semi-industrial way, complex machines are not required. There are about ten workers; I am the boss and also the salesperson. New workers learn from old ones, and then help me with the work. They are mostly female due to their handiness. They learn fast or slow, depending on each person, and are capable at work after one or two weeks. Not much sales, simple money management, basic numeracy practice, so further study is not necessary for me.

There was someone in Hochiminh City offered to be my selling agent, collecting goods for export...but I was afraid that I don't have enough to supply, so I didn't accept. Moreover, selling agent in Ho Chi Minh City wouldn't be easy, because the goods is Quang Ngai's specialties. Being small is good; export procedure is very cumbersome so I did not dare.”

*(Interview Mrs. Hoa, 39 year old, owner of Hoang Yen confectionery manufacturing facility, Quang Ngai province.)*

**Mrs. Thanh:** “This screen printing facility has about three direct labors, apprenticeship is simple, just watch other people and follow. In addition, I also have a printing company which has about ten workers. This facility is equipped with machines, do all kinds of printing stuff. Newly recruited workers must be skilled at some level, so just a little instruction is needed.”

**Mrs. Hanh:** “It's more comfortable working here than in the office, from both time and income perspectives. The company still exists because it still receives orders, some stuffs are better done by screen printing rather than large – scale machines”... “at first I was uncomfortable with the ink odour, but for more than ten years I've had no illness!” [I sat beside her and I could feel a very strong smell of ink, which might affect workers' health]

*(Interview Mrs. Thanh – printing company owner; Mrs. Hanh – printing worker)*

In Hochiminh City, we met Thong, about 35 y/o, owner of a sewing factory (a registered household business) in Tan Phu District. Thong's factory was specialized in supplying clothing products. With Thong's help, we had known another factory (not registered) which had about 30 industrial sewing machines. Both factories trained their workers on the “one to one” basis. “For newbies, he/she can work after two or three months training by me”.

*(Interview Mr. Thong, Mr. Xuan, sewing factory owners)*

The proportion of households have Off-JT training activities is really low (6.3%), and among few industrial production households we'd encountered, few had On-JT ones. As a result, no evidences, or reasons (that can be observed from companies) had been found to explain that Off-JT training activities considerably increase productivity even if there are any of these activities in household business. Despite of that fact, Mr. Lam – personnel at Consulting Department, The SME Supporting Center in the South – proposed reasons he perceived after exposing to some small and medium sized enterprises (in which there were small households):



“Firstly, the smaller the size is, the easier the innovation takes place, if a change is in need, the company can change quickly, day by day, hour by hour. In medium or large sized company, if something needed to be changed, it will be difficult for these to be changed completely in the first trial, even their innovation might cost a lot of time, changes can only be made in much narrower scope, at some certain stages.

Secondly, as the companies (or household business) are small, initially, productivity is quite low, allowing it to change easily. The scale of a medium sized company may as 100 times larger than a household business.”

### 4.3 Reasons for The Ineffectiveness of Off-The-Job Training

#### 4.3.1 From The Firms’ Perspective ...

When attending and observing the firms at SCORE project course, via their information (before their improvements in HRM) HRM, we found the reasons for the ineffectiveness of training activities at these companies before 2013.

##### *a. Inefficient coordination between training activities and other HRM activities*

The effectiveness of training activities is also associated with the companies’ recruitment perspective; it is difficult to enhance the productivity if the companies **do not treat** the highly-capable staff. Mr. Duc, a 55-year-old employee at HR department of X Company in Binh Duong Province, shared his experience: “When the recruited employees do not meet the company’s requirement, that is, after being trained, if they are incapable of the assigned job, they will be assigned with a more suitable job or not get the labor contract because our company has internship period”. However, he said (softly as if he did want his words to be heard) that: *“It is also because of the fact that his boss do not have good capability, so he chooses less capable staff for his easy management. In this case, it is difficult to improve productivity via training activities.”*

(An interview in May, 2014 in District 3, Hochiminh City; the interview and company’s anonymity is preserved )

Having not mastered the knowledge and skills in modern HR management as well as laws on labors - salaries and the professionalism of the HR department may be the causes of low efficiency in training.

**Minh Duong Company** have not promoted the functions and duties of HR department due to the intervention of the Board of Directors on this department’s activities. The company's HR department does not have the active right in recruitment process. When there is not activeness in recruiting, it is difficult to establish a reasonable training plan for the workers as well as other staff.

**Mifaco Company** has a well-organized process and system but their papers, documents, job descriptions, and training procedure are still unprofessional [Comments of Mr. Sang – A trainer]. Mr. Tan, HR manager stated: *"I also know how to implement the company's processes, apply HR management but not yet professionally so it is necessary for me to attend this course"*.

#### *b. Unobvious training plans*

**Firms which have not set up obvious training plans may be inefficient in training activity.**

Do four companies that attended Score projects establish their training plans? Some companies have their plans while some others do not; however, the plans are unobvious or not closely attached to their business plan. Mr. Lam, deputy director of **Lam Viet Co.** shared his opinion *"training activities are not well planned."* Similar to the case of **Duong Minh Co.**, Ms. Thuy, the deputy, said:

*"Based on the current projects and orders, the companies will recruit and train new workers, but have not had an obvious training plan".*

*(Observing and listening to sharing of the companies on May 3<sup>rd</sup>, 2014)*

Some companies have training plans, but these plans do not rely on the analysis on: corporate strategy, recruitment plans, HR development strategy, and the employees' working process the.

*"MifacoCo. already had process of setting up training plans [Mr. Tan introduced to me Mifaco's training process via ISO documents], but these plan are not truly intensive. For example, they are not based on the evaluation of the work process of each employee, or an adequate HR development strategy.*

*(Interview with Mr. Tan, Mifaco's HR manager, on March 05, 2014)*

**Lam Viet, Minh Duong, Hiep LongCo.** could not develop an obvious training plan based on business strategy. HR Department at **Minh DuongCo.** mainly focuses on salaries, labor regulations and policies, recruitment; Board of directors plays a major role in recruiting new managers and establishing plans for recruiting new workers.

*(Observing and listening to sharing of the companies on May 3<sup>rd</sup>, 2014)*

#### *c. Unstandardized job description*

A standardized job description is not only an important step in HR management but also a necessary basis for such activities as recruitment, training, result assessment ... However, few companies implemented a rational process of setting a job description, and the

descriptions are not established correctly, especially the description of the duties as well as the required knowledge, skills and attitudes.

**Lam Viet, Mifaco and Hiep Long** has a process of setting up job description quite close to the standard procedure, but not based on information from employees directly in charge. **Minh Duong Co.** does not have a job description system. The companies that already had job description still need to rewrite their process in standard way, particularly parts related to the required duties, skills and knowledge.

*(Observing and listening to sharing of the companies on May 3<sup>rd</sup>, 2014)*

*d. Incorrect or no analysis on demand for training of each employee*

Currently, not only companies in timber industry but also the other companies do not analyze the demand for training thoroughly, which results in difficulties for increasing the company's productivity. Mr. Sang, A training expert of ILO from VCCI Hochiminh City emphasized this reason in **Box 4**.

**Box 4: Comments on the reasons for the ineffectiveness of Off-the-job from a training expert of the International Labour Organization (ILO)**

- "If training activities are ineffective and do not increase firms' productivity, the main reason is that these activities are improper. It is due to the incorrect analysis of demands for training [for example: So far 4 enterprises in timber industry attending SCORE project have not applied tool for analyzing demands for training ].
- In order to analyze demand for training, where to start? Demand for training assessment Table (9- cell matrix tool). It is necessary to analyze each employee based on results of their current job and capacity; associated with business strategy of the company, department, and other HR management activities. If demand for training is correctly analyzed, the company will burden no cost and train the right staff with the right training

*Source: Interview with Mr. Nguyen Van Sang – An expert with job experience as HR director of Pepsi Co., Tan Hiep Phat Co... and lecturer/ consultant of ILO on the module of HR management at SCORE project, on March 5, 2014 VCCI Hochiminh City*

*e. Inappropriate organization of Off-the-job training activities*

Dr. Bui Thi Thanh (a training expert in human resource) said: "For some companies, when training courses are held at their company, the employees often went in and out of class to do their job, which makes learning ineffective".

The board of directors does not support staff usage after training, and there is not good coordination and agreement among the departments. Firms do not actually pay attention to the effectiveness of training activities and the application of modern management tools.

"I think training is necessary for at least one aspect. If training does not improve firms' productivity, it may be due to: Firms do not apply after training, or do not actually pay attention the training activities. For example, the subjects related to production can be easy to be applied and changed because the results can be seen immediately. On the other hand, whether the subjects related to HR management will be changed or not may depend on the boss because changes will affect interests of various groups in the company.

*(Interview with Mr. Diep, HR manager at Hiep Long Co. on May 3rd, 2014)*

"Previously, after training and then application into practice if the employees or the juniors do not master knowledge and skills, the productivity may be not improved".

*(Interview with Mr. Trung, Chief of production line at Hiep Long Co. on May 3<sup>rd</sup>, 2014)*

"Some KPI projects are usually combined training and consultancy. KPI is simply the quantification of results of each specific work and job position; then performance of employees and departments can be evaluated. However, when the regulations related to job performance are too detailed, the employees do not like. The implementation of KPI or MRP is the big project of the enterprise, it require the firms' determination". "The effectiveness of training may depend on the supporting tools, for example, a specialized software; or on whether the assigned tasks are related to training or not."

*(Interview with Dr. Bui Thi Thanh, Chief of HRM Department, Faculty of Business Administration - University of Economics, Hochiminh City)*

Many companies do not really pay attention to improve the quality of management and lack of high determination of the leader team, which leads to the ineffectiveness of training, for example, the training related to ISO.

- "To achieve the ISO certification, companies need to be trained. However, it is not certain about the impact of ISO on productivity improvement.
- Among 10 companies with ISO certification, there may be only one company that really operates under the ISO system. Some companies only consider this certification as a tool for getting the business contract or advertisement. Usually there is only one form; sometimes employees do not apply even your boss. Or is the only watch company that is a form of travel for contracts, advertising ... They may consider the process of ISO system is secondary, but a certain process (or none of processes) is primary; it is just like the fact that a company often have two accounting books.
- After the 1st time of ISO award, that is, when ISO certification is re-awarded for the 2<sup>nd</sup> time, there may be 2-3 out of 100 companies that will actually operation under the ISO system. For the case of Japanese companies, this percentage is probably about 60 -70 percent.
- The Vietnam private companies are very bad, do not follow any standards but only do what they want. 1 coping style system, and their management systems are separate. For the case of larger companies, for instance, Hoa Sen group, they normally have two system. One system is to cope with the government agencies, but their management system is different. During the evaluation

and certification award period, they will rationalize and legalize their documents. ISO award agencies work under commercial purposes, money purposes.

- It indicated that the determination of the senior managers is very important, and so is the company's environment. Do they really want to apply new management skills or not?"  
*(Interview with Mr. Phuc, 45 years old, An expert in Quality and Production Management)*

- In training activity, sometimes, the course and the trainer is good teaching, but it is not sure that this necessarily results in same outcomes for all the companies. This may be due to the difference in application of each company, or difference in the company's culture. Dr. Bui Thi Thanh said: "Effectiveness of training also depends on organizational culture, after being trained, if I have high determination and confidence, I propose, I do well ... Will you care about that? Or people think I only want to show off or something like that ... "

#### *f. Irrationality in choosing training courses, establishing training curriculum*

The correct choice of training course after analyzing demands for training, developing training programs associated with the company's demands, with each group of learners within the company ... is essential and important. If firms do not choose good training centers or unprofessional trainers, it may be difficult to promote the effectiveness of training.

"When firms already analyzed the demand for training but the results is not good, the second reason may be due to the incorrect and unreasonable choice of training course"

*(Interview with Mr. Sang, A training expert of ILO, on March 5, 2014)*

After a day of training, Mr. Hoang (SCORE project coordinator) conducted a meeting with the trainers for a review in order to have better preparation for the following training day. He exchanged his opinion:

"Contents of training need to be interesting, which will make the learners excited. Visual images, instruction of specific tools and specific practical stories will make the learners easier to understand and follow. For the timber industry companies in this case, the training on KPI can encourage the chief of production line".

*(Observations and comments of Mr. Hoang, SCORE project coordinator, on March 3, 2014)*

The training courses need to be associated with practical work. The trainers also need to have good experiences and knowledge as well as know how to organize classes and apply appropriate and various teaching methods in order to bring the excitement to learners.

At SCORE project, training programs includes many topics closely and mutually associated with one another. Before each training topic, the trainers of SCORE project have practical research at firms in order to have better understanding about the current situation that is related to the training topics as well as to search and design case studies. SCORE project was implemented with the participation of many teaching assistants in order for supporting the companies in group discussion of the companies and correcting home assignments related to

company's practical situation. In addition, SCORE project also designed four consultancy sessions at the companies. After application, there will be a re-evaluation of the outcomes captured by the companies (for example, on the topic of innovation promotion, 5S ...)  
(Observation on March, 2014)

*g. Not focusing in course evaluation as well as application after training; the positive attention of the boss after training.*

Training places as well as HR department in the companies often evaluate the course via surveying the learners, but do not truly pay attention to monitor, consult and evaluate the application of what they learnt from these off-the-job training course. For example, for the case of a steel company, the assessment activity is still in the initial step, so the outcome of off-the-job training is not really effective:

After training course, we will observe the learners, for instance, their effort and performance before and after being trained. We also have our own review, survey the opinion of the learners on the training center (whether the center is good or not), their evaluation on the training subjects (whether the subjects are good and appropriate or not). On the basis of these opinion and evaluation, we will have feedbacks so that our employees can have better training courses at better training centers.

*(An interview with Ms. Nga, HR director at an SME in steel production and distribution located in Binh Thanh District, the company's anonymity is preserved, in April, 2014 )*

From the seminar "Introduction of typical innovation at production site", we contacted and discussed with Mr. Giang (A manager, about 38 years old) at Sakura Plastic Company. This is one out of three companies chosen by JICA and the SME Supporting Center in the South to be typical enterprises in productivity improvement. Their management team attended a short training course in Japan; then they trained their employees and applied what they learnt into practice:

**Question:** In order to train the employees, does the company have separate training or on-the-job training with direct coach?

**Answer:** We have two types of training. For 5S training, we have training lessons on 5S, using power point. We also have plans on training each group of workers every day. Each department in the company can be divided into three groups. During training time, each worker must write down what they learnt. At the end of each training day, we have questions in the form of multiple choices, to test the understanding of the employees. The test has time requirement and the employees are not allowed to use materials during the test. This should be similar to theory learning, which make the employees remember the training better. We have a lot of training for new employees who need to be trained for at least 3 days. They will be tested on what they learnt after training course.

**Question:** After implementation of innovation, 5S, etc., do the company improve productivity or not?

**Answer:** The Company's productivity is truly improved after implementation of innovation, 5S, etc., For instance, the unclean defect. Before the innovation, unclean defects arise a lot, so the products were returned, which cost lots of labor and expense to fix the defects. After the innovation, these defects is prevented and better improved, it takes no cost for fixing and products are accepted without being returned. The defective products is prevented when being produced.

#### **4.3.2 ...to The Training Centers and Teachers ...**

The training programs are not close to the fact of the enterprises; the teacher's practical experiences related to the programs' application are limited or inadequate. These cause training programs of some enterprises inefficient.

- In my enterprises, most of the employees have bachelor degree. Workers are trained by vocational schools. Let take an example of the workers who have the background of business administration. At first they feel interested in skill training courses, but then they give up because the course is not close to practice and the application of the program to their work is little. Or another example is the workers going to the course of administration. If the teachers of the course have little experience in the real business, it would be very difficult for them to teach these workers in real situations. These are the problems of training programs.
- My enterprise has an off – job training program on selling skills by another company. They give a program of basic knowledge but not the specific knowledge for the steel industry. This knowledge moreover is not much practical to our industry, and inapplicable. The course therefore is inefficient. So we need the job training based on practice. For instance the staffs who deal with negotiation can know well the steps of negotiation, but they cannot negotiate well in fact. They need practice with real cases and learn to apply the theory into practice.

*(Interview with Ms. Nga, Human Resource Manager of a Steel company in HCM City)*

The company also complains about the training center where they sent their staff to be trained about CEO skills. The teachers were restricted in practical knowlede and the training time was lengthened (from 4 months as planned to 1 year).

Small enterprises usually have little finance for off-job training, so they often choose the training center offering low training fee. The X. center (of X University) where Ms.Nga Steel company send their staff to traing CEO skills was that kind of center. Ms. Tran Thi Truc Phuong, a lecturer os the Economics – Law University, said:

"I have studied some courses about human resource management by some center but the X. center is the worst. Many of my friends aslo share the same point about this center, and they even feel cautious when hiring a staff who graduated from that center."

Besides to the good professional knowledge, the effiency of the training course depends much on teaching method of the teachers and supplement instruments.

Teaching also needs interesting instruments, for example high technique of 3D presenting. I have support from my friend who is a specialist of this technique. Foreign lectures are also interesting and available, however we need to add case study of local enterprises. The teachers also need to have a good and wide knowledge background together with the skills of attractive speaking.

*(Interview with Mr. Nguyen Thanh Hoi, PhD., lecturer of Human Resource Management, on April 5, 2014)*

One problem in organization of training centers is the delay of payment to teachers. This issue of course affects the quality of the course. Mr. Nguyen Thanh Hoi, PhD., Lecturer of Human Resource Management, Department of Business Administration, HCM Economics University said:

At some training centers, they offered high payment to teachers for first class, even they accepted loss then they could quickly open more classes to earn money. At first they signed with the teacher to open 1 class, and then signed for 5 classes or teachers at first worked 1 day, then come to 3 or 4 days a week. The money they earn from a class could be 350 million VND. Some centers pay teachers on time at first, but then often delay the payment for long period.

The payment to teachers definitely affects the quality of course. Good teachers will not accept low payment. However, in job training it is not necessary that teachers with high-level degree can work well. The points here are teacher's experiences and practical knowledge. For example Mr. Binh only has the master degree, but he teaches so well in his field of Real Estate. Or in fields of stocks, Mr. Tran To Tu was a good teacher and also a successful investor although he was only a Bachelor, while some other teachers who are Professors with good lectures but are not successful investors.

The reasons why center delay payment to teachers are also varied. Mr. Nguyen Hoang Bao, PhD., lecturer of HCM Economics University) said:

Z. Center (a private center) at first was very good at organising training course, leading in course of Security, Project Management. They invited good local lecturers and also foreign lecturers. But after that, they delayed payment to teachers because they invested their earnings to stocks, real estate but had not received the money back.

The assessment of training courses now is mostly based upon surveys on learners about the course, not about the applicability of the course into the learners' practical work.

The managers always hope that their staff after courses can have good proposals, or improvement in their work, which benefit the companies. If this is the case, the managers are always willing to pay high expenses to train their staff. However the assessments only focus on the satisfaction of the learners about the course but never tell how much the learners can apply what they have learnt to their practical work.

*(Interview with Mr. Lam, SME Supporting Center in the South, April 2014)*



We also have interviews with some managers, lecturers and specialists for their opinions about training course. Mr. Nguyen Huu Lam, PhD., said about some reasons for the inefficiency of training activity at enterprises (Box 5, Box 6). According to him, the main reasons are (1) enterprises do not focus on assessment of the efficiency of the training activity; (2) enterprises do not have suitable arrangement of trained staff to the right working place to make use of their trained knowledge, (3) the payments of enterprises to teachers are not appropriate to their works and efforts. The teachers normally are also the consultors for the enterprises. If the teachers do not have good enough knowledge and practical experience, the training course could not be efficient.

**Box 5. Reasons why off- job training activity is inefficient, the opinion from a specialist of the R&D Center, HCM Economics University**

- “Now few enterprises are concerned about assessment the efficiency of training activity. So it is hard to say about the efficiency of this activity. Besides, the transferring of knowledge is not efficient, trained staff is not used and approved.
- “In team working or chain working, technique is the key figure to the productivity. Then the result of the training activity is lessening errors in working.”
- “Small enterprises have limited finance for training activity, moreover their staff is a few, so they rarely open training class.
- “Normally small and medium enterprises spend little fund on off-job training activity, so they rarely invite good teachers. They need to pay appropriate payment for a good teacher and also consultants.”
- “Another reason is that the payment to teachers is basically upon the time they teach but not the real value they give to learners. It is like the case you buy a book, you should pay for the value of the book but not the number of its pages. That’s why sometime teachers do not prepare a good teaching or give their best effort on teaching.”
- “In some case, because of the lack of knowledge of learners, they feel the course so useful. But this is not the point to assess a course efficient because the knowledge that they have learnt in fact is so basic and not completely advanced knowledge.”

*Source: Interview with Mr. Nguyen Huu Lam, manager of R&D Center, HCM Economics University*

**Box 6. Opinions about the teachers**

- “Normally teacher is also the adviser to the enterprise. So if the teacher has not well enough knowledge, less practical experience and bad conduction to learners, the course could be inefficient.
- “From the point of a teacher, we feel successful when we see the good effects from enterprises, and receive their trust and respect after the course.”
- “Teaching is making a procedure and creating an environment for learners to access new knowledge. No one is smarter than others. Teaching is also a chance for the teacher to learn new things from new cases. If a teacher has a good background of knowledge and experiences, he can quickly absorb new knowledge from a small new point then generalize into further knowledge.”
- “However, in order to assess a good a bad teacher, we also need to put teachers in comparison (what they teach and the results the learners get...) Teachers also need continuously further study. The key point here is their attitude and methods of working.”

*Source: Interview with Mr. Nguyen Huu Lam, manager of R&D Center, HCM Economics University*

### 4.3.3 ... and Policy

The updated legal document related to supporting SMEs training activity is Circular 05 and some other documents regulating the expense limit. Nonetheless, these documents expose some disadvantages, which need to be fixed.

- Now, the updated legal document related to supporting SMEs training activity is Circular 05 by Ministry of Planning and Investment and Ministry of Finance (TT 05/2011 TTLT-BKH&BTC). This Circular regulated the content and objective enterprises, the mechanism of supporting. Basically, the government supports 50% of the expense. Besides, related to the support level, there are 3 other documents such as Circular 87/2001/TT-BTC, Circular 120/2007/TT-BTC and Priority to difficulties Policy: 108/2006/ND-CP.
- Policy also has inappropriate regulations. For example supporting centers have to coordinate with the regions in training activity (regions are responsible for studying rooms and collecting learners)... however it is not sure that the region will cooperate. Also the procedure is complicated, especially in financing and payment.
- Policy and the real practice sometimes are unrelated. Policy in some case cannot be put into the reality.
- For instance, we want to open a HRM class. The payment to teacher is regulated to be the level of 1 million VND per day if the teacher is a Master, and 1.2 million VND per day if he is a Doctor. But in fact, we have to pay 2 million, 5 million or more to invite teachers depending on their knowledge and experience otherwise we cannot open the class.

*(Interview with Mr. Tuat, manager of the SME Supporting Center in the South, July 7, 2014)*

At the SMEs Supporting Center in the North – Central - South, the trainers may be not good enough mainly because of low payment. Courses often require teachers to go to remote regions in several days, which is not attractive to good teachers. This is also because of the regulation of Circular 05 about the time of class, content of the course, salary and payment procedure. Too long –period program will discourage enterprises to send their staff to the class. Then the payment to the teacher cannot be as high as expected and of course this leads to low quality of class.

- “The mechanism is still inflexible. Payment to teachers is not supported by government but depending on the enterprise’s financing. The course time is lengthened up to 7 days. So few enterprises enter the class. And it is also very difficult to invite teachers to go to remote provinces.
- A private organization can pay 200-300 million to hold a conference or event but a state organization only wants to pay 60 million. Even at the same expense, private ones always do better than state ones. The problems of expenditure, organization, staff, professional performance or marketing in setting events cause state organizations difficult to hold efficient activities.”

*(Interview with Mr. Lam, SME Supporting Center in the South, April 2014)*

## 5. CONCLUSION, POLICY IMPLICATIONS, AND FURTHER STUDY

### 5.1 Conclusion

This research applied the data on training activity of SMEs in the survey on SMEs in 2009. The enterprises who answered that they often organize short-term (less than 6 month) training programs for their current employees, or new employees in the survey SMEs2008 stated that they have stable and clear training policies. The training activities used for analysis might be conducted in the beginning of 2009, 2008, or before 2008, but mainly in 2008.

There is no statistical evidence to conclude that, for the case of the formal enterprises, training activities has significant impact on firms' labor productivity, firms' performance (revenue, profit), workers' wage in short term (in 2008), or in the near future (in 2009 and 2010); however, training activity improve firms' ROA in short term, or in the near future (in 2008) from 9.3 to 9.7 percentage point. The impact of training on household business is more obvious than that on formal enterprises: It leads to a remarkable improvement in labor productivity (VA per capita increases from 32 percent to 40 percent)

By applying PSM method, this paper indicated that the investment in human capital (training) for the case of formal enterprises does not significantly increase their productivity. This result is consistent with findings by [Storey \(2002\)](#) for the case of SMEs in UK, and by [Black and Lynch \(2001\)](#); however, this result is inconsistent with the research by [Nguyen, Ngo and Buyens \(2008\)](#) for the case of firms in Vietnam. The insignificant impact of training on productivity in this paper does not support the universalistic perspective in SHRM theoretical model.

### 5.2 Policy Implications

From the above mentioned information, the concerned parties can bring forward solutions based on their own situation (Because sampling in qualitative method cannot represent the whole population, and there are many specific situations that we have not investigated). There are a lot of theories and models; however what is the main concern of the firms and government? In general, which solution do we need to focus in the current situation and in

the short term? We would like to present an opinion that we consider to be the most important currently,

**Firstly**, Employers should pay more attention on training activities as well as its effectiveness. Employers should have prudent consideration in analysis of training demand to enable them to coordinate with training center in designing the training course which is appropriate with reality and training demand of the enterprises; in making requirements to training centers/trainers; or choosing the most appropriate training centers for employees.

*(Please see Appendix C.1 for further details)*

The group of qualified organizations, experts, instructors, and trainers that meet requirements of the firms will also make a remarkable contribution to the increase in the effectiveness of training activities. Training program and training contents closely connected with each specific job or situation of each firm will enable their workers to apply new knowledge quickly. In addition to on-the-job or off-the-job training activities held by the firms, the firms can coordinate with training organizations/ institutions to establish a specific and appropriate training program rather than an unspecific one.

In addition, training activity should be conducted regularly and the managers in firms need to support and encourage their staff to apply knowledge, skills as well as have good working incentive after training. The enterprises also need to pay attention on determining demands for training, planning training schedule, design training program, selecting trainers, selecting appropriate employees for each course, organizing training courses, evaluating the training process, or cooperating with experts and universities in order to have better training activities.

**Secondly**, it is necessary to closely coordinate training with management strategic activities as well as the other human resource activities.

*(Please see details in Appendix C.2)*

**Thirdly**, training centers as well as SMEs training /consultant assistance organization should improve their training quality by designing the in-depth course appropriate to each particular trainee group; enhancing the reality by bringing trainees the opportunity to visit

the other companies; constructing appropriate cases to circumstance in Vietnam; requiring trainees to have plan in applying what they have learnt into their enterprises.

As experience of short term training courses by Business Edge, SCPRE project or assistance scheme by JICA Japan for SMEs in supporting industry, all these courses are designed by several realistic cases, training in combination with consultant; besides, trainees must have plan to apply what they have learnt after courses and then be advised and observed by the training center after the course. Moreover, lecturers/trainers are required to be well-qualified and experienced as well as scrutinizingly selected. This model is appropriate to SMEs in Vietnam and should be popularly spread. However, after ending the project, transfer method to Vietnam partner should be considered to bring into what were well done.

***(Please see details in Appendix C.3.1)***

SME Supporting Center in the South, Central or North (Bureau of enterprises development), VCCI, Universities... could follow the experience of the above training centers to ask international organization for funds as well as design similar courses for SMEs.

In the future, SME Supporting Center in the South shall offer in-depth training course. In this course, the trainers may be CEO, or managers in domestic companies. They have experienced each particular job that enables them to understand the reality. The role of Japanese experts is not significant since the project comes to an end after 4 year in operation. The issue is to persuade enterprises to join in the course. The goal of this organization is to enable Vietnamese workers to do their job, develop source of lecturers and consultants. It would be not good if only basing on Japanese experts since they train some enterprises in few regions following their visions and objectives.

Training organization for SMEs should be classified by types of trainees. In the same major, courses for employees shall focus on particular skills they need; otherwise, there are also courses for managers, employers.

***(Please see details in Appendix C.3.2)***

SMEs Assistance Center of the Ministry of Planning & Investment as well as Organizations with the function of supporting SMEs in Provinces and Cities, the Vietnam Chamber of Commerce and Industry (VCCI) should pay more attention on the policies of encouraging the managers at SMEs to conduct training activities on modern labor force management as well as other management skills (they currently focus on such activities as business start-up, business registration). The forums and conferences should be held in other for concerning parties to share their experience. Thenceforth, SMEs can design and conduct their training program more effectively.

Universities, colleges, vocational training schools as well as teaching staff need to improve the quality of training linking between theory and practice; improve their marketing activities, and have good connection with the enterprises for receiving more practical and efficient support via such contracts as consultancy, training, scientific research and technology transfer as well as providing good-quality labor force to the enterprises.

**Fourthly**, encouragement on experts to construct qualified materials, several realistic case study in detail such as manuals which are easy to understand and apply to SMEs as well as undergraduate students; promote the translation, publication study materials (books, electronic material, photos, videos...) related to different knowledge in enterprise management and establishment.

The majority of current study materials are compiled by lecturers in universities. However, these materials are usually short and difficult for enterprises to understand or lack of realistic case study. The publication of study materials is mainly by bookstores, bookshops...and these stores hardly supply enough materials as the demand of enterprises. Some high realistic study materials on quality control or production management, compiled by Japanese experts, should be popularly published by different channels.

Besides, good materials in English should be translated into Vietnamese. In regarding of experts or lecturers in domestic as well as abroad who are interested in making contribution to society, next generation or the country they love... after have a lot of

experiences in large enterprises and in training (such as Japanese expert volunteers; usually managers or seniors on retirement), it is necessary to have a policy to encourage these persons to compile study materials as well as take part into training for SMEs as well as undergraduate students.

*(Please see details in Appendix C.4)*

**Fifthly**, SMEs supporting policies should have some change to enable SMEs assistance organizations or training centers to implement them conveniently and essentially. The current issue is that some policies are inflexible and inappropriate to the reality.

*(See the detail in Appendix C.5)*

In the household business sector, the proportion of enterprises with training programs is not high (6.3 percent), however the supporting policies of the Government for SMEs have positive impacts on the performance of household enterprises with training programs. Therefore, the supporting policies of the Government need to more serve household enterprises, especially the household enterprises with official registration. This sector also accounts for a large proportion in the economy.

The support from the government in verification of and improvement in quality of training courses supplied by educational organizations/ institutions, colleges, or universities will establish an efficient labor market, and a high-quality short-term training services, from which the firms can easily recruit and train labor force with high skill, good knowledge and appropriate attitude, thereby saving training cost and increasing labor productivity.

**Sixthly**, regulations on training quality control to short term training center, examinations on quality of training center.

In the case of large enterprises, they could select training center as well as the prestigious lecturers from outside that are appropriate to their enterprises in organizing off-job training activities. However, this may not easy to SMEs to construct an effective off-job training activities. The reason is that enterprises lack of information on training center, lecturers (Asymmetric information). Therefore, the Ministry of Education and MOLISA .... should bring particular regulations on training quality with monitoring and examination; reward



and punishment. Examination on training quality of short term training center should be done regularly and information of this examination should be released.

Besides, big universities or institutes which have members as training or consultant centers (usually centers, companies or institutes) should have regulation on training and consultant quality to these members and their lecturers and employees. The disclosure on infrastructure condition for education, on lecturers or staff of each particular training course, on continuously updated curriculum vitae; feedbacks of trainees (including students in both official course and short term course of the members) also makes a contribution in upgrading their training quality as well as prestige and bring more adequate information to enterprises.

### **5.3 Further Study**

The research shall be improved if it conducts the impact evaluation of the most recent training activity (in the survey of 2011) on the productivity and then compares with the results from training activities in the survey of 2009, using DID with PSM in order to reach the better results.

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## Appendix A. Probit Model of the Determinants on Investment in Human Capital

	Formal enterprises				Household business			
	Coef.	Z	Marginal Effects	Mean	Coef.	z	Marginal Effects	Mean
<b>Lnnassets</b>	0.039	0.53	0.00745	7.304	0.022	0.22	0.00036	5.445
<b>Firmage</b>	-0.035***	-2.91	-0.00680	10.729	-0.009	-0.72	-0.00015	15.762
<i>Industrialpark</i>	-0.233	-0.99	-0.04023	0.120	-0.370	-0.55	-0.00400	0.018
<i>Cooperative</i>	0.218	0.70	0.04663	0.090				
<i>ltd_jstock</i>	-0.654***	-3.40	-0.14571	0.692				
<b>Officeworkers</b>	-0.317	-0.52	-0.06110	0.247	-2.377*	-1.93	-0.03950	0.266
<b>Casuallabour</b>	0.367	0.98	0.07063	0.112	-1.313	-1.64	-0.02182	0.110
<b>Turnover</b>	-0.003	-0.57	-0.00048	-1.318	0.005	0.62	0.00009	-0.714
<i>Restructure</i>	0.555**	2.43	0.13448	0.122	0.280	0.62	0.00646	0.045
<i>Businessplan</i>	0.319	0.55	0.05077	0.973	0.861	1.47	0.00702	0.896
<i>Crisis</i>	0.003	0.02	0.00061	0.805	0.404	1.58	0.00610	0.631
<i>Constraints</i>	-0.584**	-2.37	-0.14620	0.917	-0.283	-0.93	-0.00600	0.821
<i>Govassistance</i>	-0.024	-0.14	-0.00451	0.376	0.449**	2.02	0.00936	0.334
<i>Foreigndonors</i>	-0.031	-0.14	-0.00589	0.147	0.608	1.10	0.02116	0.030
<i>Association</i>	0.166	0.90	0.03374	0.240	0.326	0.73	0.00792	0.050
<i>Network</i>	-0.071	-0.41	-0.01394	0.721	-0.581***	-2.61	-0.01102	0.541
<i>Union</i>	0.382**	2.08	0.08136	0.272	-0.464	-0.52	-0.00447	0.008
<i>Shorttermcon</i>	0.006**	2.01	0.00112	13.533	0.011***	3.67	0.00019	28.203
<b>R&amp;D</b>	-6.191	-1.38	-1.19137	0.005	8.434	1.46	0.14015	0.001
<b>moderntechology</b>	-0.586**	-2.08	-0.11271	0.258	0.443	1.18	0.00736	0.235
<i>Newspaperad</i>	0.315	1.58	0.06864	0.156				
<i>Localauthorities</i>	0.428	1.08	0.10289	0.029				
<i>Emcenter</i>	-0.08	-0.31	-0.01484	0.086	0.89*	1.65	0.04426	0.016
<i>Diffrecruiting</i>	0.505***	3.14	0.11017	0.288	0.492**	2.00	0.01286	0.158
<i>Healthsocialins</i>	0.402**	2.16	0.07558	0.553	0.403	0.89	0.01094	0.030
<i>Etrading</i>	-0.201	-0.85	-0.03514	0.120	0.105	0.14	0.00199	0.011
<b>Computer</b>	0.063***	3.41	0.01204	3.376	0.157	0.96	0.00261	0.263
<i>Jobrotation</i>	0.479**	2.35	0.11160	0.144	1.076***	3.18	0.06052	0.061
<i>Servoutside</i>	0.603***	2.59	0.08998	0.841	-0.206	-0.78	-0.00380	0.683
<b>Inventory</b>	-0.011	-0.21	-0.00215	3.827	-0.010	-0.13	-0.00016	3.415
<i>Improveproducts</i>	-0.049	-0.32	-0.00944	0.587	-0.245	-1.04	-0.00401	0.457
<i>Envstandard</i>	0.406**	2.38	0.08763	0.261	-0.156	-0.42	-0.00222	0.088
<i>industry1</i>	0.038	0.14	0.00739	0.152	-0.580	-1.31	-0.00749	0.277
<i>industry3</i>	-0.562**	-2.01	-0.08493	0.154	-0.799	-1.27	-0.00757	0.156
<i>industry4</i>	-0.297	-1.22	-0.05254	0.267	0.052	0.14	0.00088	0.348
<i>industry5</i>	-0.211	-0.75	-0.03671	0.120	0.539	1.16	0.01706	0.039
<i>industry6</i>	0.035	0.11	0.00692	0.073				
<i>industry7</i>	-0.223	-0.54	-0.03799	0.056	0.171	0.35	0.00339	0.101
<i>industry8</i>	0.479	1.35	0.11723	0.044	1.397**	2.05	0.12202	0.009
<i>Hhformal</i>					1.360***	2.92	0.02065	0.641
<b>Cons</b>	-1.482*	-1.69			-3.378***	-2.91		
Mean VIF	1.37				1.46			
VIF max	2.46				4.34			
Pseudo R2	0.30				0.47			
Count R square	0.84				0.95			

Balancing property	Satisfied	Satisfied
N	569	739

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*Notes:* Italic variables are dummies;

\*significant at 10% level, \*\*significant at 5% level, \*\*\*significant at 1% level 01

*Source:* Calculated from CIEM data (2010, 2012)

## Appendix B. Interview with Nguyen Tien Trung

For the case of the small enterprises, they also pay attention to training activities and, mainly focus on On-JT. Training activities at small firms are originated from the owners' devotion and employees are directed trained by the owners. When the owners have lots of experience, they will be self-confident and have responsibility in training their employees. The firm owners have obvious policies for encouragement, reward and punishment, which results in the effective outcome. This statement is confirmed via an interview with Mr. Nguyen Tien Trung – Director of Basu Co. (operating in cushion business) on March 19 2014. Via this case study, we can observe how Mr. Trung was trained and how he trained his own employees.

“In my opinion, sales is everything. Whatever you do under the role of a manager or an employees is also sales. I consider all the other jobs as sales job”. Trung has worked as salesperson since his last year at University of Economics Hochiminh City (in 2007). At that time Trung worked part-time for Nestle Corporation. Trung shared lots of experience in cost saving at Nestle: “ At the beginning, they did not have good and large premises, they only rented a nearly-100-meter-square office in Hochiminh City, employed several staff, leased storage in Dongnai province. They did not rent a larger office until their stable development. They also applied the same strategy when expanding their operation to Hanoi. Cost saving and concentration in market operation as well as sales is the company's priority”.

After being trained about sales at Nestle, Trung worked as a salesperson at Lien A Company. Trung worked there for 4 years as a salesperson and then a manager in charge of the market segmentation from Da Nang to Ca Mau (the South of Vietnam).

- “During the working time there, I knew how people establish market, distribute and manufacture products. I can list down all the subsidiaries' name, address, wish and expectation, family condition.... “
- “And after knowing some knowledge and experience, my friend and I started our own business in manufacturing and trading tea. Currently this company is still successful and I am in charge of distribution after my withdrawals”.
- “I have started up a company specializing in manufacturing and trading cushion for about 2 years. Currently, our company's turnover is around 300 to 500 million VND per month NS our profit about 15 percent of turnover. I am trying to teach the sale target of 1 billion VND per month”. Basu has a sewing workshop with 7 workers, a cushion display room with 2 staff and 5-6 sales executives. The primary market of Basu is Hochiminh City, and the main business operation is retailing.
- “At Lien A Company where I (Trung) used to work as a manager, they also invited Dr. Vu Quoc Chinh of Business Administration Department, University of Economics Hochiminh City, a sales specialist to the company for training their staff”. Trung said: “Dr. Vu Quoc Chinh who has lots of experience in sales shared a lot of valuable lessons with Lien A's employees. Dr. Chinh is a good trainer with lots of practical experience”. However, this training course may be only considered as a new wind infused into the company's sales practice that make the employees more self-

confident and provide them with knowledge about a methodical process and step in sales practice. Nevertheless, in reality, the employees' skills are mainly improved via on-the-job training and group-based training at the company."

- "When the employees attended a 3-month, 5-month, or less-than-one-week off-the-job training courses, provided that the trainer gives good lectures and share lots of experience, they will only state that the trainer gives good lectures and 90 percent of them will forget all the lessons soon. They do not have deep understanding of what the trainers said, and the most important thing is that they do not know how to apply these lessons into practice. Maybe the experienced employees would learn better and have more understanding about the lectures; but the new one would have difficulties in learning as well as understanding the lectures. However, such off-the-job training courses will provide employees with overview of their job and related skills."
- "Sales team at Lien A Co. were mostly trained by me when I worked as manager at the company; and current, many sales executives become managers. For the case of Basu Co., 100 percent of sales executive are trained by me. Supposed that we recruit sales executives with high passion, capability and patience in sales careers, the direct coaching is still necessary".
- "Off-JT may be organized via either inviting an expert to the firms, or sending the employees to be trained at a school/center, but this is not too important. Whether these trainings are effective or not depends on each situation. However, if you want to become a salesperson, they must have practical experience in market. When they first entered their career, they did not know where to start, how to approach the customers and may not know their products well. In different case studies, each employees has different reaction, but the experienced know what these reactions result in because they experienced this situation many times (However they are right or wrong, we also give comments and instructions). When they first start the job, they and I go to meet the customers together, then they can observe and support me and I will explain to them why a certain work needs to be done and what the purpose is. They will be given opportunity to contact the customers, then I give comment, train them, test them and put forward the objectives, encourage them... coach them... test them... and they gradually become better. They need to be trained from 7 basic steps in sales, route controlling, observing products at the outlets... to setting objectives. When becoming supervisors or managers, they still need to be trained with the other topics, for instance, advanced sales. When doing business, the most important thing is to set up a good relationship and reliability to the customers".
- "During training process, I share lots of experience, set objectives to them; if they cannot do the jobs, I will have no choice but dismiss them and find substitute employees. Facing that problem, the employees must learn how to work, practise and apply creatively in order to capture the highest results. When studying at off-job training class, they will not such pressure. Moreover, it is a far distance from training to improvement of productivity."
- "Basu is a small enterprise. We have not had a formal office for training or meeting our staff. We will establish one in the near future. Training activities mainly take place at stores where we contact with customers and outlets; or in streets, at coffee shop. Every Monday, I have opportunity to meet all the sales staff for discussion, giving assignment, training, encouraging, consulting, etc... When the company is still small, it seems that the directors have to do all the things, even including training new staff, controlling everything and observing the results of training activity. For the case of larger company, training activities may be assigned to the chiefs of team leaders, managers. It depends on each company and manager that training activity can achieve a good result or not."

I asked Trung about training for garment workers, and Trung answered:

- "New garment workers are coached by the senior workers for technical skills; the new worker may have learnt how to sew before. However, the technical workers may show so many details and formulas that the new workers became bored. I told garment workers and team leaders



about my requirements and what is correct and what is incorrect. For instance, a square meter of cloth can produce five products, and then I require doing their job on that basis, and also setting a certain norm and rate of fault and redundant products. If they only produce three products from one square meter of cloth, it will be very wasteful. I also told the workers about the criteria of a crease required by the clients. The unskilled workers are not required to do too complicated calculation that is carried out by me or team leaders; they only operate to complete the products as required.

*(Interview with Nguyen Tien Trung, about 31 years old, Director of Basu Company, March, 2014)*

## Appendix C. Details for Policy Implications

### c.1

The particular cases of successful training activities in Sakura Plastic Company as well as **An Lac Label Printing Joint stock company** are due to entrepreneurs' determination. The reason the entrepreneurs pay attention on training activities is they understand the roles of training activities; these entrepreneurs have high qualification (master) or have worked for foreign companies (for instance, in Japan), have visited foreign partners and have innovative spirit.

- “The founder members in An Lac Company are previously executives in big Corporations; primarily, this company comprised of only 5 people and had one plant. Later, when applying new technology, this is assigned to executives and separated into one subsidiary company (An Lac). I have gone to Denmark for study for 5 weeks and imported new technology. My study at that time was similar to going to work. I came to their company to observe and I would import such technology if I find it appropriate for my company. Their printing technology is also new to Vietnam market; however, I have imported this European printing technology with machine from Denmark, German,...since I find it reasonable.”
- The company also delegated employees to go abroad for study; previously delegated printing workers to go to Japan for technology learning, and then there are short term courses (10 days to a half of month) in management, marketing and especially in technology.
- “In sum, the innovation in system requires a determination from the entrepreneur.”  
*(An interview with Mr. Thi, Deputy Director of An Lac Label Printing Joint stock company, prominent youth in Hochiminh City, master, about 42 years old, male).*
- The training courses need to be more realistic, have appropriate duration since the majority of the trainees (managers in companies) already have Master degree and a lot of experiences but expectation in reviewing their knowledge. Most of knowledge in class is experienced by themselves; so that when coming to class, they need to review all the knowledge more systematically and methodically.  
*(An interview with Ms. Nga, Head of Human Resource in a Steel Manufacturing and Sales Company in Ho Chi Minh City).*

In an interview with Ms. Tran Kim Dung (an expert of Human Resource Management), we recognized that beside the inattention of enterprises or entrepreneurs on training activities, the inaccurate determination on training demand of enterprises is also the popular reason on ineffective training activities.

**Question:** In your experience from your job as enterprise consultant, what are the main reasons or causes of ineffective training activities in enterprises?

**Response:** The reason stems from training procedures including two main points:

- Firstly, the awareness of enterprises on training is inadequate. The enterprises may not pay attention on training or quality of training albeit they still spend a budget for training; therefore, the training is ineffective (this usually occurs in State companies, generally in State sector; these companies have available budget for training and development and must return money to State

budget if they do not use this budget; so that all of these companies spend money for training). Other reason may be the inappropriate selection of trainees due to the relationship (this reality in private sectors is not serious as in state sectors since private sectors always consider what they could gain when spending money on training.)

- The second reason is originated from the determination of training demands; it means that the determination of what and who should be trained, the duration and methods. This determination is not good with no standard or regulation. Several companies do not have any regulation on training, criteria of trainee...
- To some extent, Human Resource Management in enterprises should have knowledge in training activities, basing on analysis of training demand; enterprises could have negotiations with trainers or training center to design an appropriate training course.
- Enterprises need to have such a modification on the syllabus of trainers that training demand of enterprises are in the best satisfaction.

*(Interview with Mr. Nguyen Thanh Hoi, PhD., lecturer of Human Resource Management, on April 5, 2014)*

## c.2

The determination of entrepreneurs in innovation as well as their encouragement on their employees to apply what knowledge has been learnt to reach process innovation should be highly considered. This is particularly demonstrated on a prominent innovative company from JICA project of Japan.

**Question:** Is your organizational innovation originated from the training course in Japan which the managers have been attended? ... And after the course, does your company receive any support or advice from experts. Does the entrepreneur have care or offer support to employees?

**Respond:**

- My company has been established since 2012. The time as registered is August, but the time to be effective is about October or November. [Before innovation, does your company have employees to be trained or receive a lot of consultancy?]. Actually, we have worked for many companies before, for instance, for Japanese companies. Basically, we obtained a lot of knowledge and skills from Japanese companies due to their training courses. When working in our current company, we do our task and train for our staff... and also gain **many advices from Mr. Kawa.**
- The activities in our recent innovative report are mainly originated from the consultant of Japanese expertise volunteers while the other innovative activities such as 5S, Kaizen, ISO certificate...are basically known by us before. Moreover, primarily our chief has been trained in Japan; then he imparts his experiences to managers who will impart this knowledge to the lower position staff.
- On the beginning time of establishment, my chief requires such procedure, especially his determination and investment decision. For instance, it is very difficult to implement 5S by only talk. My chief must have investment in infrastructure, reward and punishment mechanism in 5S activity. To determine excellent department, I must determine score among weeks. Besides individual reward of VND100, 000 per person, the reward will be VND 500,000 or VND 1,000,000 for excellent department. This encourages the competition among departments. The excellent department will be rewarded. The score in every week and month will be accumulated for the

consideration of year reward from the Board of Managers. The reward is so good that all departments have big effort. Actually, it requires the motivation as well as investment from the chief.

*(An interview with Mr. Giang, a manager of Sakura Plastic Company, about 38 years old).*

In Human Resource course of Score project which I have attended at VCCI Ho Chi Minh City, the lecturer assumes a case to enterprises which have to raise 20% in revenue, make a cost reduction in 10% in the year of 2014. Members of each attending enterprise are required to discuss on their company situation (a discussion between The Board of Managers and other Departments) to suggest their solutions (which could be complemented by the lecturer as well as VCCI shall give particular support after the course; in particular, VCCI shall offer enterprises the particular consultant activities after the course). This could be considered as an experiment to explore what solutions enterprises suggest. Consequently, the suggested solution is that enterprises must have a close coordination between training activities and business strategy, human resource as well as the other activities.

In the assumption case that enterprises must raise their sales and make a reduction in costs in 2013, what measurement should different departments implement? Training activities are paid attention by managers in enterprises. They usually suggest training skills of workers to improve productivity. Besides, this should be coordinated with the other measurements. For instance, having an examination on all the system, an appropriate restructuring, regulation on material norm, procedure of cost reduction (suggested by **Mifaco Company**); a reduction in redundancy ratio of staff especially high qualified worker, reward on excellent employees, adequate training on labor secure (by Mr. Hung, Lam Viet company); seeking more customers, reexamination on machines or production line, construct norms (Mr. Lam, **Lam Viet company**); an appropriate reconstruction of lines, reach the unification for common objectives among departments, guarantee on the quality of inputs, technical changes for productivity improvement, innovation, intensification on quality control to reduce number of rejects, attending on energy reduction scheme to make a reduction in material. (Mr. Huynh, **Hiep Long company**)...

*(An observation in a discussion among enterprises on their experiences, SCORE project, 3/2014)*

Training activities are always required to have coordination with other activities in strategy, or other human resource management activities such as recruitment, motivation, payment reward, job rotation... Training activities without any coordination may be not effective.

“ Company also has consideration on recruitment, and training mainly by tutor; for instance, two new workers shall be trained by two old workers. In regarding to important position, the enterprise shall recruit internal persons (who were already trained and had some experiences). For other simple positions, the enterprise shall recruit from external resources. The enterprise also thinks about training for standby resource which ensures that the systems

always have available standby resource. Training schemes are also designed on the basis of business plan.”

*(An interview of Mr. Tan, Head of Human Resource in Mifaco Company, 5/3/2014).*

- “It is necessary to have administration and financial mechanism and obligations for trainees.... that require these trainees to apply what they have learnt into their job. Financial mechanism means that trainees will be rewarded if they have applied what they have learnt; otherwise, they will be punished. Administrative mechanism means that if trainees have not applied well what they learnt, they may not be appointed to higher position or have a pay raise, or new employees may not be approved to sign the labor contract if they have not applied what they have learnt.”
- In oil sector, after being trained on security, if the trainee does not follow the security regulation which he has learnt, he shall be moved to another position or permanently dismissed. If he is in drilling platform, a helicopter will come to move him back and the fees of this helicopter transportation shall be on his expenses.
- Lack of supporting equipment may inhibit the training effectiveness. For instance, KPI index is required to apply a chain of equation system. Therefore, in order to calculate the final KPI index must have coordination of several people. Many foreign companies are able to KPI index due to software system.

*(An interview with Mr. Phuc, Head of Quality Control and Labor Security Department, Oil Drilling Company; an expert of training and consultant on quality control).*

### c.3

#### c.3.1

The following is an interview with Mr. Nguyen Hong Phuc, an expert in quality control management and labor security, production management. Mr. Phuc had been trained to be the lecturer of Business Edge, and then he attended this project as a lecturer. Mr. Phuc also worked as an invited lecturer or consultant in Department of Industrial Management in University of Technology Ho Chi Minh City, PACE school and several companies especially in oil and construction sector. We asked him about main points in methods of organizing training activities in Business Edge (this belongs to private development funds MPDF sponsored by several countries and international finance companies, IFC; and this already come to an end) and in PACE Business School (this is operated by market orientation to trainees as businessman and high fees).

- [In regarding to lecturers], both Business Edge and PACE have standard in choosing their lecturers/trainers. The majority of these lecturers have MBA or higher qualification; the remainders are seniors in major equivalent with the subjects, such as Marketing managers, Sales managers or Production managers... in large companies and have pedagogic method. For instance, Mr. Hoang Hiep has worked as marketing manager in several multinational companies. All lecturers are required to complete a test and deliver a trial lecture to a Committee.

- **[Textbooks]** Business Edge already constructed a unique qualified textbook. PACE have not done this yet.
- **[Consultant and assessment activity]** Business could have direct contact with trainees after courses to observe whether the trainees apply what they have learnt and what applying points are good or bad to give them valuable advices. For instance, as Mr. Phuc trained for a Game online company on after sale services in a course of Business Edge, he came to visit trainees, randomly chose and listened to recordings of customer's complaints to consider how the employees response and give solutions to customers and then giving them the suggestions. As usual, at the end of a course in Business Edge, trainees are required to make a commitment that they shall apply some knowledge and skills they have learnt and this applying shall be observed. PACE has been unable to execute this point; simply, it only completes training activities.
- In respect of training costs, Business Edge has financial support; eventually, some enterprises are offered consultant services. For instance, Biti's gained about \$200,000'worth of consultant support to enable it to do an advertisement abroad. Biti's still spends its budget on advertisement program while Business Edge will offer technicians.
- Business Edge have existed in 2 years basing on supporting funds; then it came down after being transferred to City group Ho Chi Minh City as well as Young Enterprises Association. Sometimes, it offers training activities to its members for form's sake. It is difficult to explain the reason why in Vietnam the funded programs are good; but become worse and ending after the time of transfer.
- PACE, by market-orientation, build its trademark and exists. In some subjects with a period of one day, trainees must pay a fee of one million VND which is not actually expensive. In some courses of 6-7 months, the tuition fees as approximately 20-30 million VND are not high in comparison with corresponding quality.

*(An interview with Mr. Phuc, male, 45 years old, an expert in Quality control, Production management...)*



Figure 5. Curriculum for SMEs edited by Business Edge and popularly distributed to bookstores in Hanoi, Hochiminh City, Can Tho, Da Nang, Binh Thuan (in 2002).

Source: <http://vietnam.smetoolkit.org/vietnam/vi>

c.3.2



Figure 6.The Japanese Volunteering Specialists participated in training and consulting for SMEs in Vietnam

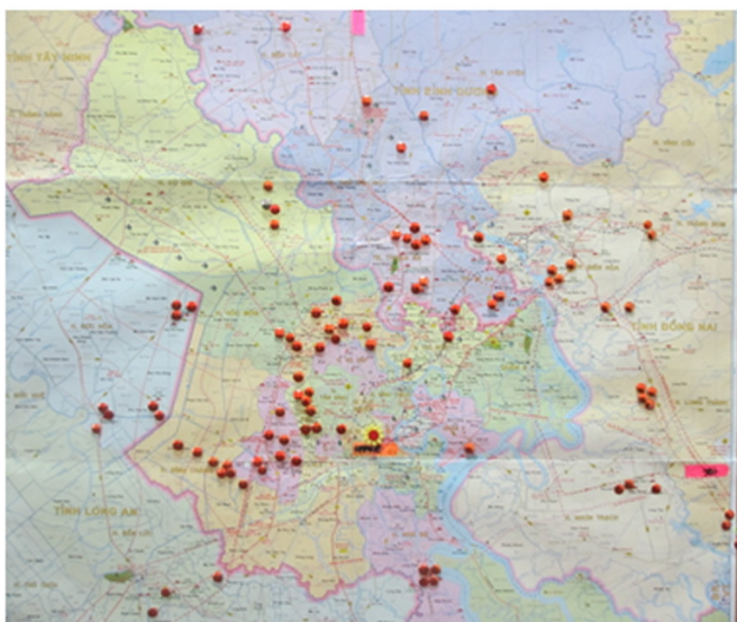


Figure 7. Maps of SMEs supported by JICA in Hochiminh City up to 5/2014;

Source: SME Supporting Center in the South



In the workshop “Introduction on prominent innovative factory”, three prominent companies (An Lac Label printing Company, Sakura Plastic Company and Visual Joint stock Company) all declared that they welcome all other enterprises to visit and learn experiences in their enterprises; and TAC in Ho Chi Minh City served as intermediate organization since they are aware of their responsibility to public. These companies are themselves supported by Japan enterprises in visiting and learning experiences. A Japanese expert told that “there were 106 enterprises which are successfully supported by JICA during the last four years.” According to Mr. Lam, all enterprises supported from Japan have commitment to welcome other enterprises on visiting and learning experiences.

*(An observation, 5/2014)*

The determination of training demand plays an important role. This demand should be determined not only by enterprises but also training centers. At the beginning of the course, trainers must determine what the trainees would like to learn and apply. The course shall classify trainees and focus on main points that satisfy trainees and enable them to do their jobs. After the course, the center should concentrate on observing how the trainees apply their knowledge. Evaluation questionnaire or their feedbacks play a small role.

(An interview with Mr. Nguyen Hong Phuc, an expert in Quality control, Production management, lecturer in PACE).



#### c.4

According to a Japanese expert who comes to Vietnam to support SMEs in supporting technology, the reason of ineffective training is the lack of study materials. He told that he came everywhere to find a specialized material; he was unable to look up this material which is specialized in quality control. The material should be simple, easy to understand, specialized but not too complicated or lengthy; the material which enterprises could do the job by only following its knowledge should be popular published. Vietnamese enterprises are also so smart that they could do the job after the observation. The issue is the lack of materials in instruments. Enterprises will be bored with complicated books. SMEs usually delegate a particular task to an employee who mostly does not care about complicated books. Instruments are not difficult but the reason is how to compile a material which is simple enough for enterprises to approach.

*(An interview with Mr. Lam – SME Supporting Center in the South, 4/2014).*

#### c.5



Figure 8 training course sponsored by the Government

- The mechanism has not been flexible yet. Salary for lecturers or trainers is not paid by the government; actually, this payment depends on fees at the expenses of enterprises. Currently, a course on Enterprises Management has duration of 7 days [as regulation], enterprises pay a fee of 1.25 million VND. Albeit the fee is low, there are still few enterprises to take part into the course. Therefore, it is difficult to give a pay rise to lecturers.
- The number of trainees shall go down if rising fees while in order to receive financial support from the government, a class must have more than 35 trainees. State companies also would like to receive financial support from the government; otherwise, they hardly find a budget to cover the loss.
- The duration of courses is too long; according to officers at training centers, few employees are willing to spend 7 days to follow a course. Therefore, a change in duration of the course which is appropriate to trainees as well as trainers may be a solution.

*(An interview with Mr. Lam – SME Supporting Center in the South, 4/2014)*